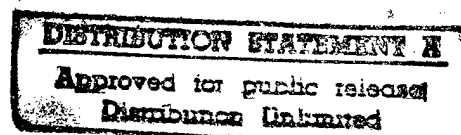




# ***JPRS Report***



## **China**

***QIUSHI [SEEKING TRUTH]***  
***No 20, 16 October 1990***

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**Strive To Stimulate the Market and Promote the Proper Development of Production**

00000000 Beijing QIUSHI [SEEKING TRUTH]  
in Chinese No 20, 16 Oct 90 pp 2-8

[Article by Li Peng; published in FBIS-CHI-90-195, 9 Oct 90 pp 31-38]

**Resolutely Correct Unhealthy Practices in Trades; Do a Good Job in Building Party Style and Clean Government**

HK0911140090 Beijing QIUSHI [SEEKING TRUTH]  
in Chinese No 20, 16 Oct 90 pp 9-13

[Article by Chen Zuolin (7115 0155 7207)]

[Text] Unhealthy practices in trades are loathsome phenomena of corruption in society and are hot issues strongly resented by the masses. The decision by the Sixth Plenary Session of the 13th CPC Central Committee on strengthening the party's ties to the people considers efforts to strengthen clean government building in trades, intensify education in professional ethics, and resolutely check unhealthy practices as important tasks in strengthening party style and clean government building and overcoming pessimism and corruption. We should fully understand the significance of correcting unhealthy practices in trades, eliminate ideological obstacles, and take effective steps to develop this task in depth to achieve results satisfactory to the masses.

I

Unhealthy practices in trades or unhealthy practices with the characteristics of individual trades, refer to securing personal or local interests at the expense of other people's interests or public interests, and exploiting the special functions and powers of one's trade to secure personal or small-group interests. They reflect bad feudal trade association practices and bourgeois egoism under the new situation. These practices manifest themselves in different ways. For instance, some people or units may try to make things difficult for their clients or customers by means of racketeering or blackmail. Some may arbitrarily impose financial levies, fees, and fines under all sorts of pretexts. Some may cheat the masses by practicing fraud or passing off substandard items as quality goods. Some may barter away principles, do favors for others for personal benefit, establish personal networks, let personal considerations interfere with the execution of public duty, and secure advantages through pull or influence. Some may show serious bureaucratic airs, behave abominably, and act rudely and unreasonably. Some may even bend the law in extorting money, accepting bribes, and practicing graft to such a serious extent that they are referred to by the masses as "tyrants" in this or that field.

Although unhealthy practices in trades are manifested in different ways, there are some common characteristics. First, they affect a wide area and involve a great number

of people. From those departments that have power, money, and material resources all the way to those "clean" government offices, and from department heads to ordinary staff members, have at some stage been involved in the abuse of their profession for personal gain. Second, they often appear in "legal" forms. In the course of exercising their administrative functions and serving the public, some people are likely to practice indigenous policies and flagrantly seek ill-gotten gains in the name of "reform" and "enlivening the economy." Third, the masses are involved and have a share of the profits. They either use one another for their own ends and benefits, or shield one another for mutual benefits, or work in collaboration to commit offenses. Fourth, problems of different natures are all mixed in one bag. The fact that economic offenses and unhealthy practices in trades penetrate and cover one another poses great difficulties to exposing and solving these problems.

Unhealthy practices in trades have directly encroached upon the interests of the state and the masses; corroded our ranks of cadres, staff, and workers; obstructed the smooth progress of economic construction and the reform and open policy; polluted the general mood of society; and impaired the prestige of party and government organs and of socialist enterprises and establishments. Hence, earnest efforts to correct unhealthy practices in trades will be of great importance.

First, the correction of unhealthy practices in trades is a component part of the in-depth struggle against corruption. The Central Committee and party organizations at various levels have, since the Fourth Plenary Session of the 13th CPC Central Committee, adopted a series of measures to strengthen party style and clean government building and punish corruption. Gratifying results have been achieved in this connection. However, in order to further deepen the struggle against corruption and achieve results satisfactory to the masses, we must make a determined effort to correct unhealthy practices in trades. The reason is that many problems of corruption, which have struck deep roots and are bitterly resented by the masses, particularly problems relating to the manipulation of power to coerce others, extort money, and accept bribes, often bear obvious imprints of specific trades. They are usually found in departments in charge of economic matters, supervision, and law enforcement, and in public utility units, involving people who control the purse strings, the supply of materials, or examination and approval procedures. The recent prosecution of a number of leading cadres from the Ministry of Railways and the Zhengzhou Railway Bureau who were found guilty of taking advantage of their position and power to embezzle money and accept bribes, and the prosecution of Qu Baoyuan [4234 1405 0337] and others from the Hunan Provincial Department of Finance for accepting bribes of gold and jewelry, are typical cases in point. These people committed embezzlement by taking advantage of the service orientation of their departments, by taking advantage of various business opportunities of their departments, and by abusing their power to manage

business resources and business funds. Thus, on the basis of initial successes achieved in party style and clean government building, we should seize the opportune moment to begin correcting unhealthy practices in trades. This will not only further arouse the political zeal and enhance the confidence of people both inside and outside the party to combat corruption, but will also help expose problems of corruption at a deeper level, eliminate areas where embezzlement and dereliction of duty frequently occur, and develop in depth and breadth the struggle against corruption.

Second, the correction of unhealthy practices in trades is necessary for the current drive to strengthen the ties between the party and the people. The work style prevalent in various trades has a direct bearing on party-people relations. Various trades and professions have a direct part to play in people's production and livelihood. Job recruitment, settlement in the countryside, schooling, job allocation, medical care, water and electricity supply, legal proceedings, and so on, are areas that concern most people and that affect their interests most directly. People often judge party style on the basis of whether these matters are handled in an evenhanded manner, how violations of public interests are dealt with, and whether evil is punished and goodness is fostered. If unhealthy practices prevail in various trades, the masses will naturally be dissatisfied with the party. Hence, strengthening clean government building in trades is an important duty of party organizations at various levels. By earnestly correcting unhealthy practices in trades and dispelling discontent among the masses, it will be possible to boost people's confidence in the party, strengthen the flesh-and-blood ties between the party and the people, and promote social progress.

Third, the correction of unhealthy practices in trades is necessary for raising the ideological and moral standards of the whole society. At the core of the work style of different trades is the question of professional ethics. The basis of socialist ethics is collectivism and serving the people. Unhealthy practices in trades go against this aim and corrupt society. They spread bourgeois ideas of egoism and money worship, abet the erroneous ideological trend of putting money above everything else, distort interpersonal relations, and pollute the general mood of society. Under these circumstances, evil practices such as harming others to benefit oneself, feathering one's own nest at public expense, putting profits before everything else, and even cases of moral degeneration, cheating others, and endangering people's lives, selling official posts for money, and freeing criminals without authorization will multiply and spread. All these are incompatible with the essence of the socialist system and socialist ethics. If our society tolerates these practices, the moral standards of the whole society will decline and people will lose their faith in and sense of duty to the state, the nation, and society. The resolute checking of unhealthy practices in trades is an important measure for cleansing the general mood of society and resisting the

corrosion of decadent ideas. In the long-term perspective, this task is undoubtedly one that cannot be overlooked in our efforts to intensify the moral building of the whole nation, raise the ideological and moral standards of the whole society, and strengthen socialist spiritual development.

## II

Correct knowledge of the present state of different trades and eliminating and correcting unhealthy practices are the ideological basis for the promotion of clean and honest practices in trades.

Since the Third Plenary Session of the 11th CPC Central Committee, the vast numbers of bold and enterprising cadres, staff, and workers have defied difficulties, scrupulously fulfilled their duties, worked assiduously and with great exertion, and contributed their share toward the socialist spiritual and material development of society. This is the main aspect of various trades. We must not, however, overlook the seriousness of unhealthy practices in trades as we clarify the disheartening misunderstanding that various trades are in an uncontrollable mess and as we expose the phenomena of passivism and corruption that have been deliberately exaggerated and played up by a handful of people who describe our society as a poorer place to be than Old China and who attempt to negate the socialist system. Everyone can see and feel unhealthy practices because they exist objectively. If we adopt an indifferent attitude, ignore the damage, and let them grow and spread unchecked, we are courting even more serious disaster. In the preceding stage, influenced by the erroneous view that "corruption is unavoidable in the primary stage of the development of the commodity economy," some comrades lowered their vigilance against unhealthy practices. In so doing, they abetted unhealthy practices, intensified contradictions, and impaired relations between the party and the people and between the cadres and the masses. People engaging in bourgeois liberalization were taken in by them and became their pawns in perpetrating political turmoil. We should seriously learn from this lesson. Correct knowledge of the present state of affairs in different trades means strengthening people's confidence in the promotion of clean and honest practices and increasing the sense of urgency and responsibility in correcting unhealthy practices in trades. In order to do a good job of correcting unhealthy practices in trades, we must also pay attention to overcoming the following erroneous ideas.

First, we must overcome the wait-and-see mentality that he who grasps this task first stands to lose. Some comrades think that it is useless to try to correct unhealthy practices in trades in one unit alone. They think that if others have not yet done anything, there is no need to beat others to it, lest we lose out in the end. Influenced by this mentality, they always adopt a wait-and-see attitude, wavering now to the left and now to the right, and are inconsistent in their measures. It is true that various trades and professions are interrelated, that unhealthy

practices in trades do not exist in isolation, and that they often affect, penetrate, and act on one another. Thus, the correction of unhealthy practices in trades must be viewed from the perspective of the entire society. Various trades must act together, synchronize their actions, and promote one another in order to create a favorable social environment. From the perspective of individual trades, unhealthy practices in one trade will also endanger other trades. Hence we must have the courage to take the initiative and set the trend and must not wait until others have started, rely on others, or look to others. To begin with, we must "sweep the snow on our own doorsteps" and create our own respective clean government environments. If no one is willing to take the first step and all wait for synchronized actions involving the entire society, comprehensive economic improvement will become idle talk and it will be impossible to create an overall atmosphere of clean government. In order to correct unhealthy practices in our own trade we must first of all establish a correct sense of interests and value. Our trades and professions are part and parcel of the socialist undertaking and are in the service of the people. When we decide on our course of action, we must consider whether or not it is in the interests of the people and the society. If it is in the people's interest and is good for the overall situation, we should do it even if it means we will "lose out" temporarily. If it will not benefit the people and the overall situation, we should give it up even if it can "benefit" us momentarily. In this way, we will consciously measure ourselves against the advanced and catch up with the advanced in the face of various social trends and behavior, rather than seek the company of the backward and measure ourselves against them. Next, we must have a correct standard to go by when judging whether something will cause us to lose out or will bring us benefits. If we benefit through improper means, we will lose our social prestige, even if we stand to gain for the time being, and we will ultimately impair the interests of our trade. Only by winning social prestige by relying on a correct business orientation and good work style will we be able to promote the long-term development of our trade.

Second, we must overcome the mentality of yielding to difficulty and thinking that the law is not meant for the masses. In some trades, a great many people are involved in unhealthy practices and most of the offenses have something to do with problems of understanding. The situation is a very complicated one. Some comrades are afraid that if the work of checking unhealthy practices and strengthening discipline cannot be pushed forward, the working enthusiasm of our cadres, staff, and workers will be dampened and stability will be affected. This is a sign of not trusting the masses. We should see that the vast numbers of cadres, staff, and workers have socialist awareness and can consciously overcome their own shortcomings. Their degree of involvement in unhealthy practices differs and only a handful of cases are serious ones with really vile influence. They are isolated among

the majority of people and they have no market. Experience in various localities proves that, in correcting unhealthy practices, particularly in punishing those who "defy laws human and divine," the key lies in whether or not the leaders dare exercise control and firmly grasp the task. If our leaders can seriously discharge their duties, are good at providing correct guidance, maintain a clear-cut stand in promoting healthy practices and punishing evil, give explicit directions as to what is good and what is bad, and are fair in meting out rewards and punishments, we will be able to solve the problems while protecting and arousing people's enthusiasm for work. We can create a situation where everyone obeys the law and takes part in correcting unhealthy practices. If our leaders abandon their principles in the face of unhealthy and evil practices, are overcautious in their actions, and even cater to erroneous trends and accommodate backward behavior, they are not doing their duty to the socialist cause and to the masses of staff and workers. This is a serious act of dereliction of duty. This is what is truly meant by divorcing from the masses and will definitely dampen the enthusiasm of the vast numbers of cadres, staff, and workers.

Third, we must overcome the mentality of shielding the faults of one's own trade. To a certain extent, unhealthy practices in trades reflect problems of a trade, department, or unit, as well as of its leaders. Some comrades are afraid that these will offset their achievements or even endanger their position and affect their future. Hence, they cover up and shield the unhealthy practices in their trades, refuse to listen to the views of the masses and to the opinions reflected by the media, and adopt a passive, even uncooperative, attitude toward investigations conducted by the departments concerned. Some people, with the bad example they set, have even abetted the spread of unhealthy practices in their own departments or units. They resist the work of checking unhealthy practices and strengthening discipline for fear of "dragging the skeletons out of the closet." This mentality of shielding the faults of one's own unit must be overcome. Every trade, department, or unit has problems of one sort or another. This should not be the sole criterion for judging its performance. The important thing is to see how its leaders view and deal with these problems. Unhealthy practices in trades are unpopular and decadent things. These shortcomings and faults cannot be covered up. The shielding of faults may bring temporary benefits to cadres, staff, and workers, and to the leaders themselves, but this is no way to win the heartfelt trust and support of the vast numbers of staff and workers. It will only make them slip further down the road of mistakes to the point where they cannot extricate themselves. Only when we are not afraid of exposing mistakes and losing face, and when we give no thought to personal gains or losses, will we be able to turn the tables and take the initiative instead. Some departments have recently seized hold of and thoroughly analyzed the negative examples of abusing one's position and power for personal gain in their respective units. They have seriously summed up experiences and lessons,

drawn inferences about other cases from these lessons, strengthened moral education and education in professional discipline, improved the system, strengthened management, and pushed forward clean government building in their own trades. These efforts have produced good social effects. Where leading party cadres are concerned, whether or not they can squarely face and boldly correct unhealthy practices in their trades, departments, or units are important criteria for judging whether they have party spirit and whether their party spirit is strong. The key to overcoming the mentality of shielding faults to protect one's own position lies in the strengthening of party spirit. We must consciously uphold the good and correct mistakes in the interests of the people and always put the interests of the party and the people above everything else.

### III

In order to strengthen clean government building and resolutely check unhealthy practices in trades, we must do a good job in the following areas:

First, we must do a good job in conducting education in professional ethics. This is the basis for effectively correcting unhealthy practices in trades. As proven by a host of facts, the poor quality of cadres, staff, and workers is an important reason why unhealthy practices cannot be halted despite repeated bans, and why they keep reemerging after measures have been taken to correct them. Thus, we must grasp the improvement of people's quality as a fundamental task and conduct education in professional ethics at different levels and with specific objectives in mind. We must help the vast numbers of cadres, staff, and workers embrace a sense of social mission so that they will perform their respective tasks seriously and with a sense of duty. We must help them understand that the performance of every individual trade and profession will affect the socialist modernization program and the people's livelihood and must be answerable to the people. Accordingly, commercial workers must consider the needs of their customers, share their anxiety, do all they can to serve the consumers, and provide good logistics services to the masses. Medical workers must "deliver people from danger," "heal the injured and rescue the dying," cherish the patients, and constantly improve their skills. Judicial workers must strictly enforce the laws, be clear about what to love and what to hate, be impartial, and remain uncorrupted. Party and government cadres must wholeheartedly serve the people and be the first to show concern and the last to enjoy themselves. In short, in the new situation of reform, opening the country to the outside world, enlivening the economy, and vigorously developing the socialist commodity economy, we must educate our cadres, staff, and workers so that they know they should seek legitimate interests through labor and that they should never secure benefits by force or dishonest practices or infringe upon the interests of the state and the people. We must organically combine education in moral ethics with education in revolutionary ideals,

discipline, and the legal system, as well as with vocational training, to constantly improve the political and professional quality of the cadres, staff, and workers. In the course of education, we must grasp the positive models, commend the advanced, promote healthy practices, and foster a number of advanced collectives and individuals with the spirit of our times and with trade characteristics. In this way, the vast numbers of cadres, staff, and workers will have examples to learn from, targets to emulate, and standards to go by in their efforts to promote the practice of clean government, hard work, and wholehearted service to the people in their respective trades.

Second, we must strengthen institution building. Most of the current unhealthy and corrupt practices in trades are the direct result of imperfect systems or the failure to strictly implement particular systems. Hence, in order to correct unhealthy practices in trades, we must strengthen institution building. This is the guarantee for the correction of unhealthy practices in trades. All trades and professions must formulate rules and regulations in accordance with state laws and regulations, the characteristics of their respective trades, the actual circumstances, and the specific conditions. They must strengthen management, plug the loopholes, and gradually develop standards for their respective trades so that they will have rules and regulations to go by in management and so that staff and workers will have norms to follow in their actions. Practice in various localities suggests that establishment of the following systems will be of great help in correcting unhealthy practices in trades: 1) We should establish a system of external constraints and make public the procedures and results of work. Openness is the starting point for promoting democracy and also for curbing corruption. Where this system is practiced, unhealthy practices will be greatly reduced and many irregularities can be avoided. 2) We should establish a system of internal constraints. We should divide power at important links and posts, carry out cross management, and implement job rotations so that the exercise of various powers can be placed under constraints. This is an effective measure for preventing transgressions and the abuse of power and for curbing unhealthy and corrupt practices in trades. 3) We should establish a system of social supervision. For instance, we may employ people to monitor party style, government discipline, and trade practices, set up report boxes and telephone lines, establish supervision information networks, and so on. Through the establishment of various systems we can set up a multilevel and multichannel mechanism of management and supervision, thereby providing the basic conditions for effectively curbing unhealthy practices in trades. We still need to implement the necessary systems in a conscientious way, correct the phenomena where orders are not obeyed and prohibitions are not observed, translate the prescribed requirements into reality, be strict and impartial in meting out rewards and punishments, promote healthy practices with clear and obvious reasons, and punish evil with strict laws.

Third, we must grasp typical cases and conscientiously rectify the style of work in different trades. This is another effective measure for correcting unhealthy practices in trades. In rectifying the style of work in different trades, we must seize hold of the most salient problems in the work style of various trades or problems most strongly resented by the masses, and tackle them with concentrated time and energy and with the joint efforts of the leadership and the masses to yield obvious results within a given time limit. In rectification, each case should be dealt with on its own merits. In dealing with cadres, staff, and workers who have made mistakes of a general nature, we should conduct education mainly with positive examples and encourage self-checking, self-examination, and self-correction. The emphasis should be placed on raising awareness and we should not attempt to "give the all-clear to everyone." As regards serious cases of violation of law and discipline which have aroused deep resentment among the masses, they should be investigated as soon as they are discovered, no matter what departments are involved. As to leading cadres who bent the law in practicing graft and who supported and took part in criminal activities in trades, we should handle the cases impartially and mete out punishment in accordance with party discipline and state law no matter how high their position. We must not be lenient in our punishment, for to tolerate evil is to abet it.

Fourth, the leadership must grasp the task in all seriousness. This is the key to doing a good job in building clean government in trades. This involves the following aspects: 1) Leading cadres must set a good example. Leading cadres who are involved in unhealthy practices should take the initiative to give a clear account of their deeds and quickly correct their mistakes in order not to be caught in a passive position. Toward those leading cadres who are guilty of serious irregularities and refuse to correct themselves, we must resolutely expose them and handle their cases seriously. 2) Leading cadres must regard the correction of unhealthy practices in their own trade, department, or unit as a task of primary importance. They must make a determined effort, dare to challenge authority, earnestly tackle problems that have aroused deep resentment among the masses, and embrace the idea that this task should be grasped with sustained and unremitting efforts. On the basis of rectifying existing unhealthy practices in trades, they must also grasp party style and clean government building in trades as a regular task in the days to come. 3) Leading cadres must coordinate forces in the drive to correct unhealthy practices in trades. They must quickly mobilize their respective trades, departments, or units, and arouse the enthusiasm of the masses of staff and workers in correcting unhealthy practices in trades. They must constantly conduct investigations and studies, pinpoint the problems, and grasp and solve problems one by one. They must also supervise and examine the work being carried out, pay attention to the summing up and popularization of typical experiences, and use the experience of selected units to promote work in the entire area in

order to push forward the in-depth development of building clean government in trades. Since the correction of unhealthy practices in trades is a task with strong policy implications, efforts must be made to study and grasp the policy limits. In correcting unhealthy practices, we must coordinate the efforts of departments and regions and fully arouse the initiative of departments, regions, and other social forces so that each will assume its responsibility, fulfill its duty, work in close coordination to grasp problems and carry out management, and resolve problems comprehensively. We must uphold the practices of using party style to promote the style of work in trades and using leading bodies to guide the rank and file. Through the concerted efforts of the whole party and the whole society we will be able to promote socialist material and spiritual development.

**Strengthen the Building of Village-Level Organizations With the Party Branch as the Core; Guide the Peasants in Firmly Embarking on the Socialist Road**

*HK1611100090 Beijing QIUSHI [SEEKING TRUTH] in Chinese No 20, 16 Oct 90 pp 14-18*

[Article by Zheng Keyang (6774 4430 2254)]

[Text] As primary organizations of the party and the state in the rural areas, village-level organizations occupy an important position in the organizational system of the party as well as in the organizational system of the state and society. In China, the question of the peasantry has always been a fundamental issue in our revolution and construction. It plays a decisive role in the geographical layout of socialist modernization. In order to succeed in our work in the rural areas, ensure overall stability in the rural areas, promote the sustained development of agricultural production and the rural economy, and further arouse the enthusiasm of the peasant masses, one of the most important tasks is to do a good job in building village-level organizations with the party branch as the core.

**A. Proceed From Our National Conditions and Fully Understand the Importance of Strengthening the Building of Village-Level Organizations**

1. Our party has established close ties to the peasant masses during the long years of revolutionary struggle. Combining the universal truth of Marxism with the concrete practice of the Chinese revolution, our party found the road to victory, that is, using the countryside to encircle the cities and seizing political power through armed struggle. The Chinese peasants performed indelible feats in this process. In the meantime, our party continuously expanded and upgraded its ranks and file by upholding the correct policy of building the party ideologically and nurturing tens of thousands of peasants into advanced elements with the political quality of the working class. On the other hand, it also paid attention to representing and embodying the interests of the peasant masses by maintaining closer ties to them. This

important historical experience was what made the party grow from strength to strength organizationally and what made the party cause prosper. Since becoming the ruling party, our party has played an increasingly more important role in the political life of the state. However, whether we see it from the perspective of party building, or from the need for the party to govern better, the maintenance of flesh-and-blood ties between the party and the peasant masses and the further strengthening of the party's work among the peasant masses remain a matter of primary importance. In order to properly tackle this task, the party must continuously improve its rural policies, and party organizations at various levels must pay attention to rural and peasant work. Most important of all, efforts must be made to strengthen the building of village-level organizations with the party branch as the core, and build party branches into strong cores leading the peasant masses in realizing the party's line and fighting for their immediate interests.

2. China is a socialist state under the people's democratic dictatorship led by the working class and based on the alliance of workers and peasants. The Chinese peasants are the natural allies of the working class, the main force upon which China depends for its socialist modernization. Without the backing and support of the several hundred million peasants, our political power could not have been established; and even if it were established, it could not have been consolidated. Without the active participation of the peasant masses, the goals of socialist modernization cannot be realized. Consolidating the alliance of workers and peasants on today's new foundation is a basic condition for the state's political and social stability. Doing a good job in building primary organizations in the rural areas, particularly organizations at the village level, is of great importance to the strengthening of the political power based on the alliance of workers and peasants and the maintenance of political stability throughout the country. If the village-level organizations are not strong, and are even weak and lax, our hundreds of millions of peasants will be like a layer of loose sand. This will shake the foundation of the alliance of workers and peasants, and shake the social foundation of the party and state in the rural areas.

3. Steady growth in agriculture, particularly in grain production, is the foundation of economic development as a whole. The problem of feeding the 1.1 billion people is a problem of primary importance which has to be resolved through our self-reliance. In the final analysis, in order to maintain sustained agricultural growth, put an end to the successive years of fluctuations in agricultural production, and push agricultural production onto a new and higher level, we must rely on the peasant masses, combine the enthusiasm of peasants in household undertakings with the superiority of collective undertakings, and develop production in depth and in breadth. As the most direct organizers of the peasant masses, village-level organizations play a very important role in this great and arduous task. Thus, every effort must be made to strengthen and vitalize village-level organizations.

4. Since the Third Plenary Session of the 11th CPC Central Committee, our village-level organizations and village cadres have been leading the masses in carrying out reform and construction, taking the road of common prosperity, and striving to fulfill various tasks assigned by the state under the new situation of rural reform and the development of the commodity economy. They have made active contributions toward the stability of the rural situation and the development of the rural economy and have provided valuable experience to the building of village-level organizations under the new situation. If we fail to see these, the tremendous successes achieved in the rural areas in the past 10 years and more cannot be explained. At the same time, we must also see that, because leadership over rural work was weakened in the past few years, because we had not done a good enough job in studying the new situation and the new problems, and because certain policies and measures were not well-coordinated, the building of village-level organizations is still beset with problems. Many contradictions, including grave contradictions, still need to be tackled. For instance, quite a large number of village-level organizations lack appeal and rallying force. Some are even weak and lax. Some village cadres cannot keep pace with the new situation and the new tasks in their way of thinking and level of work. In some localities, the relations between cadres and the masses are not harmonious, and sometimes are even tense. Ideological and political work and spiritual development are weak, and there is disorder in individual villages. If we cannot tackle these problems in time, we will not be able to measure up to the requirements of the party's rural work in the new period or to the common desire of the peasant masses to further develop the economy and take the road of common prosperity. This is likely to affect the stability of the rural society and will hold modernization back. Thus, we must regard the strengthening of the building of village-level organizations as an important and urgent task in rural work at the present stage, and grasp it firmly and well.

**B. The Building of Village-Level Organizations Must Proceed Closely Around the Central Task of Leading the Masses To Develop the Economy and Take the Socialist Road of Common Prosperity**

In building village-level organizations, the fundamental task is to make economic construction the core of our work and to educate, guide, unite, and organize the peasant masses to develop the economy, deepen reforms, increase agricultural productivity, promote all-round progress in the rural society, and take the socialist road of common prosperity. In order to fulfill this fundamental task, we must work on the following areas: First, we must uphold and stabilize the output-related system of contracted responsibility on the household basis, improve the two-tier system of management which combines centralization with decentralization, bring into full play the enthusiasm of peasants in household undertakings and the superiority of the collective economy, and organically combine the two. Second, we must gradually develop the village-level collective economy in line with



local conditions, strengthen the village-level economy, and guide the peasants in achieving common prosperity step by step. Third, we must gradually establish and improve economic cooperation organizations and general and specialized service systems, provide the peasants with good and timely service in their production undertakings, and continuously raise the level of commercialization and specialization in agricultural production. All work in the building of village-level organizations must be conducted around and in conjunction with the above tasks, and all activities of village-level organizations must be subordinated to and serve the realization of these tasks.

First, this is conducive to the realization of correct party leadership over the peasant masses. Making economic construction the core of our work is the requirement of the party's basic line at the present stage. In this primary stage of socialism, the principal contradiction in our country is the contradiction between backward social production and the growing material and cultural needs of the masses. The party's central task is to lead the masses to carry out socialist economic construction, strive to develop social productivity and realize the grand objectives of socialist modernization. The implementation of the party's basic line in the rural areas refers to efforts by party organizations at various levels, particularly village-level organizations, to translate the party's basic line into the conscious efforts of the masses, lead the masses to develop the rural economy, increase agricultural productivity, combat poverty and backwardness, and take the socialist road of common prosperity. We cannot begin to talk about the all-round success of socialist modernization and correct party leadership over the peasant masses if we depart from this central task in our rural work and in the building of village-level organizations, or if some of our villages remain poverty-stricken and backward, the livelihood of the peasant masses is not improved, and agricultural productivity remains low.

Second, this is conducive to fully arousing and rationally organizing the socialist enthusiasm of the peasant masses and maintaining close ties between the party and the peasant masses. In the revolutionary war years, our party could unite and attract the peasant masses to itself because it helped the masses achieve liberation under its leadership and brought them tangible benefits through fighting the local tyrants, dividing the land, and carrying out agrarian reform. As amply demonstrated by positive and negative experience in building the rural areas since the founding of the People's Republic, particularly by the historical changes that have occurred since the Third Plenary Session of the 11th CPC Central Committee, after leading the peasant masses to achieve emancipation and become masters of the country, the party must lead the peasant masses to develop the economy, put an end to poverty, take the socialist road of common prosperity in compliance with popular demand, fully tap the enthusiasm of the peasant masses in building socialism, and further cement its flesh-and-blood ties to the peasant masses.

Third, this is conducive to the deepening of rural reform and the promotion of all-round progress in the rural society. Upholding and improving the output-related system of contracted responsibilities on the household basis, gradually strengthening the village-level collective economy and leading the masses to achieve common prosperity are the directions we should follow in deepening the rural reform. The output-related system of contracted responsibilities on the household basis has greatly aroused the enthusiasm of the peasants in production undertakings and promoted the growth of rural productivity. In order to achieve a new leap in agricultural production and rural economic development on this basis, we must further improve the two-tier system of management that combines centralization with decentralization, and gradually strengthen the collective economy in line with the objective requirements of productivity growth and the wishes of the peasant masses. We must, through the effective work of village-level organizations, properly organize the production undertakings of the peasant masses and provide them with various services. Only in this way can we rationally organize the peasant masses, fully arouse their enthusiasm, help them overcome the contradiction between decentralized management and the large market of the commodity economy, improve the results of their production undertakings, better realize the interests of the peasants, and consolidate the worker-peasant alliance on the new basis.

Fourth, this is conducive to the improvement of the appeal, rallying force, and combat-worthiness of the village-level organizations. Economic development and common prosperity are the common wishes of the peasant masses. Only by complying with the common wishes of the masses can we claim to represent the interests of the masses and begin to talk about organizing and guiding the masses. As demonstrated by practice in many localities, when village-level organizations with the party branch as the core are leading the masses in developing the economy, the villages will be able to continuously strengthen their economies, provide the masses with good and timely services in their livelihood and production, and lighten the burdens of the masses. In this way, the village-level organizations can increase their appeal and rallying force among the masses. Conversely, in villages that remain economically backward, the cadres concern themselves only with the collection of grain and other levies. They make all sorts of demands on the masses, but do not have the means or desire to serve the masses. As time passes, the cadres and the masses become estranged, the village-level organizations lose their appeal and rallying force, and neither the masses nor the cadres have any enthusiasm. Thus, leading the masses to develop the economy and take the road of common prosperity is not only the central task of village-level organizations, but is the key to increasing the rallying force and appeal of village-level organizations. Only by making a success of this central task can we fully bring into play the combat-worthiness and

active role of village-level organizations, and fundamentally resolve many of the problems confronting the building of village-level organizations.

**C. In Strengthening the Building of Village-Level Organizations, We Must First of All Strengthen the Position and Role of the Party Branch as the Leadership Core**

At the village level, there are party branches, village committees, youth league branches, woman's federation, militia organizations, village economic cooperation bodies, and other organizations, which are separately responsible for political, economic, and social management and other work. The party branch is the core of leadership. This pattern can only be upheld and improved, and should never be shaken or weakened. Why is it that this must be clearly stressed when the task of strengthening the building village-level organizations is put forward? First, it is determined by the nature of rural development and reform. In order to unite, educate, and guide the peasants to take the socialist road of common prosperity and build the new socialist countryside, we must uphold the leadership of the Communist Party. Only the Communist Party armed with Marxism-Leninism-Mao Zedong Thought can truly represent the long-term and fundamental interests of the peasant masses, guide the peasants to overcome the narrow view of the small producers, combine the interests of the peasants with the overall interests of the whole nation, and build socialism with concerted efforts. Second, it is determined by the position and role of our party. Our party is the ruling party. It is an organic entity formed by the party Central Committee, local party committees, and several million primary party organizations. In order to exercise leadership over rural construction and reform, our party must rely not only on the central authorities to formulate correct lines, principles, and policies, but also on party organizations at various levels to ensure their implementation. Party branches are the most primary organizations of the party in the rural areas. Properly bringing into play the role of party branches as the leadership core is of great importance to the realization of the party's leadership among the masses at the grassroots level. Third, it is determined by the actual situation in the rural areas. We often say that a village is a mini society. It involves political and economic work, as well as education, public health, public order, and other aspects of social management. Village cadres and village-level organizations are directly involved in people's production and livelihood. Thus, there must be a strong core to coordinate the activities of various organizations and exercise unified leadership over work in various areas. This leadership core can only be the party branch. Generally speaking, the party branch is a collective body of outstanding and competent people in the rural areas, people who have good political and ideological qualities and who command high prestige among the masses. Provided that the party branch can lead its members to properly play their exemplary model role, it can unite and lead the masses to do their work well. As proven by practical experience in the rural

areas, in villages where the party branch can properly play its role as the leadership core, other village-level organizations can also play their part well, and work in these villages will progress smoothly. In villages that do not have a strong party branch as the core, work cannot proceed well. It is not in conformity with the demands of the peasant masses or the actual situation in the rural areas to talk about strengthening the building of village-level organizations without stressing the core role of the party branch.

In order to uphold and properly bring into play the role of the party branch as the leadership core in the new situation, we must make further efforts to strengthen and increase the vitality of the party branch. The implementation of the output-related system of contracted responsibilities on the household basis in the rural areas since the Third Plenary Session of the 11th CPC Central Committee is a major reform that has promoted the development of rural productivity. It has also brought about profound changes in labor relations, production organizations, and peasant thinking in the rural areas. Where party branch building is concerned, these changes have put before us the new task of how to further bring into play the role of the party branch and ensure that it plays its part well in the new situation. They have also given us an to push party branch building to a new and higher level. Under the impact of this change in situation and task, rural party branch building in some localities has been weak for some time. The main reasons for this are as follows: First, while concentrating efforts to replace the old system with the new, we slackened our leadership over the building of village-level organizations, particularly of party branches, in these places. We did not pay sufficient attention to questions like how to ensure that the party branch can play its part well and how to properly bring into play the role of party members under decentralized management; and we failed to promptly sum up experience and lessons and give effective guidance in work. Second, some comrades misunderstood the meaning of rural reform. They associated the role of the rural party branches as the leadership core with the system of the people's commune, which is large in size and collective in nature, thinking that the role of the party branch must be weakened in order to reform the old system. Some even put forward the notion that "the party branch is no longer needed when land is divided among the members," thinking that the role of the party branch must be weakened if rural reform was to succeed. Third, some leading members of rural party branches could not keep up with the changed situation in their thinking and work method. They were perplexed because they could no longer resort to old methods but did not know the new methods. Some party cadres abandoned their duties in their effort to build up family fortunes. They did not concern themselves with the well-being of the masses and did not lead the masses to achieve common prosperity. Through practice over the past few years, our cadres have clearly come to realize the importance of strengthening party branch building in the new situation of deepening the rural reform. They

have come to realize that only when a good job has been done in party branch building will there be strong organizational guarantee for the deepening of rural reform, the development of construction, and all-round social progress. The following has been a popular saying in the rural areas in recent years: "In order to shake off poverty and achieve prosperity, we must have a good party branch." The masses in some poverty-stricken areas said, "rather than give us money and material aid, why not help us build a good party branch." This is the consensus reached by the peasant masses through practice.

**D. Actively Promote the Development of Democratic Politics at the Grassroots Level; Support and Lead the Peasant Masses To Become Masters of the Country**

Conscientiously implementing the "Organizational Law for Villagers Committees (Provisional)," strengthening the building of villagers committees, actively promoting the development of democratic politics at the grassroots level, and supporting and leading the peasant masses to become masters of the country are important aspects of the task of strengthening the building of village-level organizations.

Self-administration by villagers is a form of management that suits the new situation since the reform of the rural economic structure. Bringing the autonomous role of villagers into play by letting them manage their own affairs in accordance with law is conducive to realization of the party's goal of leading and supporting the peasants to become masters of the country. It will also help arouse the enthusiasm of the peasant masses and strengthen social management in the rural areas. In bringing about self-administration by villages, the following points need to be clearly stressed: First, our self-administration by villagers is a form of socialist democracy; it is self-administration under the party's leadership. Self-administration by villagers cannot be separated from the party's leadership, and cannot be set against the party's leadership. Only by relying on the party's leadership can villagers' wishes be truthfully reflected. Only in this way can self-administration by villagers be gradually realized, and only in this way can self-administration by villagers continue its development along healthy lines. Second, self-administration by villagers is self-administration within legal limits, not doing whatever one likes outside the law or in violation of the law. State laws and decrees must be strictly observed in self-administration by villagers. While exercising their right of self-management, villagers must fulfill their civil duties as prescribed by law. Third, villagers must exercise self-administration through the functioning of the villagers committee. Activities of political confrontation instigated by clan and feudal superstition bodies and illegal organizations do not fall under self-administration by villagers. Fourth, as self-administration by villagers is a kind of self-government by the grassroots units and is not administrative regional autonomy, it must be subject to the administrative control of the township government

and fulfill the tasks assigned by the township government. Fifth, self-administration by villagers is a gradual process that requires the continuous summing up of experience and that must be continuously developed and perfected. Because self-administration by villagers is something new, there should be a process of learning, tempering, and familiarization for the cadres as well as for the masses, and this process may differ in length between the economically and culturally developed areas and the backward areas. Self-administration by villagers also needs to be developed along with the development of practice. Thus, we must actively and prudently carry out self-administration in a planned and well-led way as conditions and actual circumstances permit. Blind and rash acts that are divorced from practice will only result in wasted efforts.

In order to promote the development of democratic politics at the grassroots level and do a good job of self-administration by villagers, we must strengthen the building of villagers committees. The villagers committee is a mass organization of self-administration, under which villagers carry out self-management, self-education, and self-service under the party's leadership and within the limits prescribed by the laws and policies of the state. The fundamental task of the villagers committee is to mobilize and rely on the masses, arouse the enthusiasm of the peasant masses, mediate disputes among the people, assist in the maintenance of public order, promote public affairs and welfare in the village, and fulfill various tasks assigned by the state. In our present efforts to strengthen the building of villagers committees, we must conscientiously implement the "Organizational Law for Villagers Committees (Provisional)" promulgated by the NPC [National People's Congress] Standing Committee, and lay down the legal framework for the work of villagers committees. At the same time, we must sum up experience in the course of practice so as to continuously improve the standards of the work of villagers committees. When electing the villagers committee, socialist democracy must be carried forward so that people trusted by the overwhelming majority of villagers can be elected to fill leading posts after full deliberation. The villagers committee must establish and perfect the system of villagers councils or villagers representative councils and create conditions for villagers to participate in the administration of village affairs so that public affairs can truly be run by the public. All major matters concerning the interests of villagers or the whole village must be fully and democratically discussed and jointly decided by villagers or representatives of villagers. Only in this way will it be possible to fully arouse the enthusiasm of villagers to manage their own affairs. If the masses have a say in deciding a certain matter, they will give that matter their heartfelt support and will make positive efforts to get it done. In order to ensure that the functions and powers of the villagers committee can be brought into full play, it is necessary to establish and perfect self-administering bodies for the maintenance of public order, mediation of

civil disputes, public health, and so on, under the villagers committee. In particular, villagers groups should be established. Villagers groups will play an important role as the bridge between the villagers committee and villagers. Without villagers groups, villagers committees in large villages may have difficulty doing their work well as they have to deal with hundreds of households. There may even be dislocations between village and household administration. Thus, the work of establishing and perfecting villagers groups must be grasped as an important aspect of the work of building villagers committees.

**E. Take the Building of Village-Level Organizations as a Project of Systems Engineering and Tackle It Comprehensively With Coordinated Efforts Under the Party's Leadership**

The building of village-level organizations is a comprehensive task that involves a wide range of work. The concept of the whole must be fostered when strengthening the building of village-level organizations. Relevant departments and organizations must assume their own responsibility, coordinate their steps, and exert joint efforts under the unified leadership of the party committee.

The key to doing a good job of rural work lies in strengthening leadership by the party committee. At the Symposium on Rural Work held last June, Comrades Jiang Zemin and Song Ping both emphasized that local party committees at various levels must attach importance to rural work. In order to truly attach importance to agricultural and rural work and grasp this work conscientiously and well, party committees must pay attention to the building of village-level organizations. Provided that party committees pay attention to this work and take effective steps to grasp it level by level, it will be possible to mobilize and organize the forces of all quarters and find solutions to all problems that exist in the building of village-level organizations. In this way, the work of building village-level organizations can be successfully carried out. The county level plays an especially important role in leading the building of village-level organizations. County party committees are local party committees closest to the rural grassroots and, as such, they shoulder a more direct responsibility in the building of village-level organizations. Giving full scope to the leadership role of party committees is very important to the effective implementation of the guiding ideology and work arrangements of the central, provincial, and county authorities on strengthening the building of village-level organizations, and taking specific steps to grasp the building of village-level organizations in the light of reality. County party committees and county governments should regard the building of village-level organizations as an important and regular task, make an earnest effort to establish a system of responsibility for grasping work at the grassroots level as well as other systems, formulate work plans in accordance with the actual state of village-level organizations in the county, conscientiously implement these plans one by one, and regularly examine the work, sum up experience,

and give guidance. While grasping the building of village-level organizations, county authorities should also promote the building of party, government, mass, and youth league organizations at the township (town) level and strengthen their functions and powers so that they can play their role in leading and guiding village-level organizations.

In strengthening the building of village-level organizations, it is necessary for the departments concerned to strengthen cooperation and work in close coordination. In the past, organizational and civil administrative departments, youth league organizations, women's federations, and so on, at various levels have indeed put in a lot of time and effort in building village-level organizations. Their efforts have also produced some results. However, in order to better lead the work of building village-level organizations as a whole, we must change the practice of each going it alone. We must strengthen cooperation under the unified leadership of party committees, inform one another of our progress, study measures together, and make a concerted effort to grasp the work. This is not only conducive to strengthening leadership over the work of building village-level organizations, but also is conducive to the building of auxiliary village-level organizations. At the village level, we must give full scope to the respective roles of villagers committees, village economic cooperation bodies, youth league branches, woman's federations, and militia organizations, while properly bringing into play the role of the party branch as the leadership core, so that they can work in close coordination from different angles and make a joint effort to build a new socialist countryside.

**The Mass Line Is the Lifeblood of a Ruling Party**

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[Text] In the course of leading the Chinese revolution, Chinese Communists with Comrade Mao Zedong as their chief representative applied the basic principles of dialectical and historical materialism to their leadership work and creatively formulated the party's mass line of "doing everything for the masses, relying on the masses in everything," and "from the masses, to the masses." The article "Some Questions Concerning Methods of Leadership," written by Comrade Mao Zedong in 1943, marks the maturation of the party's mass line concept into a theory. Relying on this mass line, our party had won great victories in revolution and construction. Under the new situation of reform and opening the country to the outside world, the Sixth Plenary Session of the 13th CPC Central Committee adopted the "Decision of the CPC Central Committee on Strengthening Ties Between the Party and the People" (hereinafter referred to as the "Decision"), which further enriched and developed the party's mass line. It has long been

proven by practice that the mass line is the basic line of work which has a vital bearing on the prosperity and decline of the party.

#### **A. Theoretical Cornerstones of the Mass Line**

The mass line is a great theoretical invention of the Chinese Communists. It has great strength because it is scientific. The mass line is established on two theoretical cornerstones, namely, the Marxist materialist conception of history and its theory of knowledge.

The first theoretical cornerstone is the basic principle of the materialist conception of history, which maintains that "the masses are the creators of history."

Marxism provides the first scientific solution to the question of the position and role of the masses in the development of history. Marx pointed out, "Historical activities are undertakings of the masses. As historical activities deepen, the contingent of the masses will expand."<sup>1</sup> Lenin considered the idea that "historical activities are undertakings of the masses" to be "one of the most profound and important philosophical theories on history." He emphatically pointed out that "socialism, which is full of vigor and creativeness, is established by the masses themselves."<sup>2</sup> On the basis of the theory that the masses are the creators of history, the Chinese Communists took wholeheartedly serving the people as their fundamental aim and regarded working for the interests of the people as the starting point and ultimate goal of all their activities. At the same time, in the course of struggle, they also creatively formulated the mass line of "doing everything for the masses, relying on the masses in everything," "from the masses, to the masses." This is an important component of Mao Zedong Thought.

The second theoretical cornerstone is the Marxist theory of knowledge.

The Marxist theory of knowledge incorporates the scientific view of practice into the theory of knowledge, and maintains that the essence of social life is practice. Practice is the origin of knowledge, the objective criterion for testing truth. Man discovers truth through practice, and tests truth through practice. Applying dialectics to the process of cognition, the Marxist theory of knowledge also scientifically reveals the dialectical process of the development of knowledge, as well as the dialectical relations between different factors in the process of cognition. It profoundly elaborates the active leap from perceptual to rational knowledge, and actively guides revolutionary practice using rational knowledge. Comrade Mao Zedong incisively pointed out, "Practice, knowledge, again practice, again knowledge. This form repeats itself in an endless spiral, and each cycle of practice and knowledge is of a higher level than the last."<sup>3</sup> This Marxist theory of knowledge is another theoretical cornerstone of the party's mass line. The process of "from the masses" is a process leading from practice to knowledge, from the specific to the general. The ideas, views, and methods of leaders do not come

out of thin air. They have to draw rich nourishments from practice by the masses. The wisdom of leaders comes from the masses. No matter how wise a leader is, once he is divorced from the practice of the masses, his wisdom will gradually run out. The process of "to the masses" is a process leading from knowledge to practice, from the general to the specific. The purpose of knowing is to remold the world. Correct policy decisions must be translated into practice by the masses. Correct policy decisions cannot change the world unless they are translated into practice by the masses. Whether a leader's knowledge has truth in it is to be tested, not through subjective exaggeration, but through practice by the masses. The foundation of the Marxist theory of knowledge is practice by the masses, and the foundation of the mass line is also practice by the masses. The two processes have the same foundation and movement. As Mao Zedong noted, "In all the practical work of our party, all correct leadership is necessarily 'from the masses, to the masses.' This means take the ideas of the masses (scattered and unsystematic ideas) and concentrate them (through study turn them into concentrated and systematic ideas), then go to the masses and propagate and explain these ideas until the masses embrace them as their own, hold fast to them, and translate them into action, and test the correctness of these ideas in such action. Then once again concentrate ideas from the masses and once again go to the masses so that the ideas are persevered in and carried through. And so on, over and over again in an endless spiral, with the ideas becoming more correct, more vital, and richer each time. Such is the Marxist theory of knowledge."<sup>4</sup> The mass line profoundly embodies the principles of the Marxist theory of knowledge.

#### **B. The Mass Line Is the Basic Line of Work for the Realization of the Party's Line**

The "Decision" pointed out that "the mass line is the basic line for the realization of the party's ideological, political, and organizational lines. It is where the CPC's fine traditions and political supremacy lie." This reveals profoundly the internal organic links between the mass line and the ideological, political, and organizational lines, and raises the mass line to a strategic position of overall importance.

##### **First, the mass line and the party's ideological line**

The ideological line refers to the basic method followed by people in their thinking. The party's ideological line covers the following aspects: Proceeding from reality in everything, linking theory with practice, seeking truth from facts, and testing and developing truth through practice. Among these, "seeking truth from facts" is the core of the party's ideological line.

In order to implement the ideological line of seeking truth from facts, we must persist in proceeding from reality, not from subjective wishes. Proceeding from reality means that we must go into the midst of the masses to conduct investigations and study, and take the

voice of the masses as our first signal. Leading cadres must make close friends with the workers, peasants, intellectuals, and other people, and through them, feel the pulse of the masses and hear their voice. In order to ensure the implementation of the ideological line of seeking truth from facts, we must also lay down specific systems for maintaining close ties to the masses. This should include the practice of cadre visits to grassroots units, regular investigations and study, the designation of special days for leading cadres to receive visits from the masses, formulation of regulations and laws for the protection of comrades who dare to tell the truth and uphold principles, and institution of a system of intra-party supervision. The process of implementing the ideological line of seeking truth from facts is also the process of implementing the party's mass line. It has been proven by practice that all violations of the ideological line of seeking truth from facts are the result of going against the mass line and being divorced from the masses. The mass line is the fundamental guarantee that our party will be able to combine the subjective with the objective and combine theory with practice in revolution and construction.

#### **Second, the mass line and the party's political line**

The party's political line is the program of struggle and basic line prescribed by the party for every historical stage. "One focus and two basic points" is a concise summary of the basic line of building socialism with Chinese characteristics. A correct political line must go through a formation and perfection process. This process is also one of repetition of "from the masses, to the masses." This is necessary because the correctness or otherwise of ideas formed in the process of "from the masses" must to be tested by the masses. It is only after several repetitions of this process, and after continuously summing up the experience of mass struggle and concentrating the wisdom of the masses, that a correct political line can be formed. After its formation, this line still has to rely on the masses for implementation and realization. Without the ardent support of the masses, a political line will fail no matter how good it is. In the final analysis, we made "left" or right deviations in implementing the party's political lines in the past because we had gone against the party's mass line.

#### **Third, the mass line and the party's organizational line**

The party's organizational line is a line followed by the party in its organizational work in order to ensure implementation of its political line. It is a line for mobilizing and organizing the masses, and for bringing about the integration of the leadership and the masses. To these ends, leaders of all units must be good at uniting and organizing key activists. These activists should have come forward through mass struggle, not be self-appointed or appointed by the higher authorities. They should be people who are healthy in thought and active in work, who are selfless and supported by the masses, and who are capable of uniting the masses around them. Only when these key activists have maintained close ties

to the masses can our party's cause succeed. This method of leadership took shape in the 1942 party rectification and was actively promoted by Comrade Mao Zedong. Today, some of our leading cadres who are tainted with bureaucratic airs have discarded this method, while some new leading cadres are not too familiar with this method.

The basic principle of the party's organizational line is democratic centralism, that is, centralism on the basis of democracy, and democracy under centralized guidance. The process leading from democracy to centralism is a process of "from the masses," that is, first be a student of the masses, humbly learn from the masses, and concentrate the opinions and wisdoms of the masses. The process leading from centralism to democracy is a process of "to the masses," that is, be a teacher of the masses, carry out propaganda among the masses, and educate and organize the masses to work under the party's leadership. Comrade Liu Shaoqi once pointed out, "The party's mass line is a line for the establishment of a correct relationship between our party and the masses, a line for ensuring that our party will apply a correct attitude and correct method to lead the masses."<sup>5</sup>

#### **C. Whether the Mass Line Is Upheld Has a Vital Bearing on the Prosperity and Decline of the Party**

The "Decision" pointed out "whether we can always maintain and develop flesh-and-blood ties to the masses has a direct bearing on the prosperity or decline of our party and state." Why is it that the mass line is of such importance to the ruling party? Why did the "Decision" warn the whole party that whether the party can maintain and develop flesh-and-blood ties to the masses is a matter with direct bearing on the prosperity or decline of our party and state? The reason is that the mass line is of special significance to the ruling party. First, the environments have changed. There are huge differences between an environment of revolutionary war and an environment of peaceful construction. In a war environment, we have a powerful enemy before us. If we divorce ourselves from the masses, we will not be able to survive and develop, and we will be crushed by the enemy. Every cadre is faced with a life-or-death test. A revolutionary war environment can thus purify people's souls. In a peace construction environment, however, class contradictions are no longer the principal contradictions in our society. Some of our party members are liable to become arrogant and conceited, seek ease and comfort, and go after enjoyment, and be unwilling to live a plain and hard life. Some who are weak in their revolutionary will are liable to be hit by the "sugar-coated bullets" of bourgeois elements at home and abroad, divorce from the masses, and degenerate. Second, the party's position has changed. The Marxist political party has changed from an illegal and oppressed party into the country's ruling party. Only by seizing political power can the fundamental interests of the people be gradually realized. The state power of our people's democratic dictatorship is the fruit of victory won by the people after long years of bloody battles. It has provided the party with

favorable conditions for maintaining close ties to the masses. Using the people's democratic dictatorship as its tool, and through various links for the maintenance of ties to the masses, such as trade unions, the youth league, the women's federation and other mass organizations and people's bodies, the party can maintain more extensive ties to the masses. However, just as everything has its dual nature, power also has its dual nature. It may cause some party members, particularly the party's leading cadres, to abuse their power for personal ends or barter away their authority for goods and money. This increases the chances and danger of party cadres divorcing themselves from the masses. Our cadres were professional revolutionaries during the revolutionary war years, but today some of them are acting as bureaucrats and overlords. They have discarded the concept of wholeheartedly serving the people, and can neither stand the test of being in power nor the test of the reform and open policy. As the "Decision" pointed out, "Following the change in our status, implementation of the reform and open policy, and development of the commodity economy, if we cannot correctly exercise our power and if we cannot consciously resist the corrosive influence of the decadent ideas of the bourgeoisie and other exploiting classes, the danger of our divorcing from the masses will grow."

In the new historical period, we should earnestly tackle the following three tasks in our efforts to uphold the party's mass line:

**First, we must ensure that the policy decisions and the implementation of these decisions are in the people's interests.**

The "Decision" pointed out, "in order to maintain close ties to the masses and victoriously lead the masses forward, our party must first ensure that its policy decisions and the implementation of these decisions are in the people's interests." The basic line of building socialism with Chinese characteristics formulated by our party since the Third Plenary Session of the 11th CPC Central Committee is in keeping with the conditions in our country. The basic theories and the major principles and policies formulated by our party since this session are also correct. Included among these are "one focus and two basic points," the coexistence of diverse economic forms with public ownership as the mainstay, the integration of the planned economy with market regulation, persistence in developing socialist democracy and building the socialist legal system, the simultaneous development of the "two civilizations." However, some of our specific policies and measures have shortcomings and mistakes. Some of our policies lack stability and continuity, while others lack coordination. *On Policy*, written by Comrade Mao Zedong in 1940, emphasized that "our policies are of decisive significance." He systematically put forward specific policies in more than 10 areas. These policies united the thinking of our cadres, and were important guarantees for our victory in the revolutionary wars. We should seriously sum up

positive and negative experience in socialist construction, and formulate specific policies for various areas in order to guarantee the implementation of the basic line and the major principles. The ruling party should also turn some of the more stable policies into laws and regulations, thereby legalizing and institutionalizing our policies. Policies are concentrated expressions of the interests of the masses. Whether or not our policies can reflect and represent the interests of the masses will have a direct bearing on whether our party can maintain and develop its flesh-and-blood ties to the people. Correct policies can rally the masses around the party and the government. If deviations are made in policymaking, the resultant policies will be divorced the masses, and the close relations between the party and the masses will be undermined. In order to ensure that our policy decisions and the implementation of these decisions are in the people's interests, we must establish and perfect a democratic and scientific procedure for policymaking and implementation, attach importance to and strengthen the work of the policy research and counseling organs, and turn these organs into policy advisory bodies.

**Second, improving the work style of the leadership is an important link in maintaining close ties between the party and the masses.**

Maintaining close ties to the masses is one of the three major work styles of the party. Some time before the Fourth Plenary Session of the 11th CPC Central Committee, some people negated the Marxist mass viewpoint and mass line, cast aside our party's tradition and work style of maintaining close ties to the masses, preached the notion of "elite politics," and advocated letting a few members of the "elite" run the country and the factories. They played down the position of the working class as the master of the country, and played down the party's work style of maintaining close ties to the masses, thereby weakening the ties between the party and the masses and driving the two apart. Thus, relations between some of our cadres and the masses were like "oil and water" rather than "fish and water." In order to restore and develop the party's work style of maintaining close ties to the masses, we must tackle the following two tasks:

1. We must overcome subjectivism, bureaucratism, and formalism.

Subjectivism, bureaucratism, and formalism are serious obstacles to maintaining close ties between the party and the masses. Subjectivism goes against the Marxist principle of proceeding from reality in everything, seeking truth from facts, and conducting investigations and study. Subjectivism proceeds from subjective wishes. It stresses authority and book knowledge rather than practice. In the period of socialist construction, a salient expression of subjectivism in actual work is lack of patience: Being impatient for transition, advance, and success. Subjectivists overlook objective reality. They are prejudiced when conducting investigations and study and simply fit their preconceived ideas into the picture.



When making policy decisions, they are full of resolve though they know little or nothing about the situation, and they are full of ideas though they know not how things stand. When reporting to the higher authorities, they either take a perfunctory attitude and supply half-truths against their conscience, or choose to fawn on their superiors rather than seek truth from facts. Work style is the external expression of one's world outlook. A materialist world outlook refers to an understanding of the objective world as it is, without any additional external ingredients. Comrade Mao Zedong criticized subjectivism as being "against science and against Marx and Lenin" and as "a sign of impurity in party spirit."<sup>6</sup>

Bureaucratism is the biggest hazard of estrangement from the masses. It is also an expression of the heroic conception of history in the relations between the leadership and the masses. In order to overcome bureaucratism, leading cadres must correct the relationship between the masters and the public servants. The people are the masters of socialist society, and Communist Party cadres are public servants who diligently serve the people. However, this relationship is often turned upside down in social life. On the surface, public servants issue orders and the masters respond to the call. Our cadres must not be misled by this phenomenon. In essence, the ideas of leaders can only come from the masses. If divorced from practice by the masses, the ideas and wisdom of leaders will lose their "living source." The ideas of leaders can only be translated into reality through practice by the masses. Thus, leaders must always guard against changing from public servants into masters.

Formalism is an expression of subjectivism. People who practice formalism lack a scientific attitude in their approach to problems. They often content themselves with superficial grandeur and overlook their essence and actual effects. Thus, in their pursuit of the superficial, formalists are content to issue orders and go through the motions, and lack a down-to-earth spirit in work. Some people have a habit of reporting only the good news, not the bad; listening only to the good news, not the bad. They are satisfied with the figures of fulfillment and overfulfillment in reports or forms, and have no idea how inflated these figures are. Some people think one way and behave another, do not match their words with deeds, and practice fraud in their personal quest for fame and position. These actions will adversely affect the party's and the people's cause.

2. We must face the three aspects, namely, the masses, reality, and the grassroots units.

This is an important measure for overcoming the three "isms" discussed above. In facing the three aspects, the key lies in facing the grassroots units. Only by going down to the grassroots units, going right to the front line of production, teaching and scientific research, and going deep into worker dormitories and peasant homes can we properly face the masses and face reality, and strengthen the ties between the party and the masses. As

the circumstances and position of the ruling party have changed, leading organs and leading cadres must always pay attention to breaking through various forms of "encirclements" and eliminating obstacles. Only in this way can they listen to the true voice of their subordinate organs and the masses. Lu Xun's article "On Drawing Silk," carried in his *Eryi Collection*, gives us great inspiration. This article is about how to break through encirclements. He was referring to the circles of people around the "big shots." By "big shots," he meant "famous people, capable people, and rich people." He said, "Regardless of who the person is, once he becomes a big shot... he will always be tightly surrounded by people." In the end, the big shots will not be able to see the real situation, and others can come to know the big shots only through illusions reflected through the prism, that is, the surrounding people. In those years, Lu Xun looked high and low for "a way to break through this encirclement." However, in his own words, he "failed to come up with anything." He had thought of a two-way approach: "First, the big shots should go out and see things for themselves and should not have others 'clear the way' for them." "Second, they should receive all sorts of visitors." However, as he said, "On second thought, these will not work." The "big shots" Lu Xun was referring to were not proletarian leaders. There were social and historical reasons why he failed to find a way to break through the encirclement. Nonetheless, the questions of "big shots being encircled" and "breaking through the encirclement" still call for deep thought.

**Third, strengthening the building of an honest and clean government and overcoming corrupt practices are strategic measures for improving ties between the party and the people and ensuring that our cause will always be invincible.**

The people of the whole country detest corrupt practices that have grown in the body of our party and state. Corrupt practices can do serious damage. They will tarnish the glorious image and undermine the prestige of the party; seriously affect the implementation of the party's line, principles, and policies; distort some of our reform measures, and make it impossible for certain parts of the party and state machinery to function normally. As pointed out in the "Decision," "If we let corrupt practices grow unchecked, the party will be in danger of heading toward self-destruction." General Fu Zuoyi [0265 0155 5030] and Comrade Rong Zihé [2051 1311 0735] had had a long talk when Beijing was being peacefully liberated in 1949. General Fu Zuoyi said, "Our Kuomintang became corrupt and was overthrown by the people 20 years after seizing political power. Will your Communist Party also become corrupt 30 or 40 years after taking over the reins of government?" Comrade Rong Zihé said, "Our Communist Party represents the cream of the working people. We will not become corrupted after 50 or 60 years, to say nothing of 30 or 40 years." Fu Zuoyi shook his head in disagreement. Forty years have elapsed, and true to Comrade Rong Zihé's judgment, our party has not changed its nature and true



color as the vanguard of the working class. However, General Fu Zuoyi had put before us a matter of life and death to the ruling party: Will the ruling party become corrupt and degenerate? This outsider had sounded the alarm for our party. This alarm should go on forever. In recent years, phenomena of passivism and degeneration, such as corruption, bribe-taking, dereliction of duty, speculation and profiteering, illegal building of private houses, going beyond the prescribed limits in decorating living quarters, practicing favoritism, and ganging up for personal ends, have grown among a small number of party members, including high-ranking leading cadres. In some cases, these phenomena have even reached a serious level. These grim facts show that some middle-aged and young cadres among our leading party cadres who have abused their power for personal ends after taking up leadership posts. Unlike our revolutionary predecessors and martyrs, they have not gone through bloody fighting in revolutionary wars to seize political power, and they have failed to measure up to the expectations of the party and the people. There are also some old cadres who, though never conquered by the enemy or subdued by the persecution of the gang of four, have allowed themselves to be defeated by "sugar-coated bullets" in the reform and open policy and in exchanges with the international bourgeoisie in recent years. They have forgotten and betrayed their own past. The struggle against corruption is a struggle against the corrosion of decadent bourgeois ideas; it is a struggle between two types of ideologies. A ringleader of a large speculation and profiteering syndicate wrote the following couplet: "Money is our horse on the tough roads of the world, and wine is our army in storming the fortress of melancholy." What this means is that we can open the way with money and goods, and corrupt our party and state cadres with all kinds of luxurious imported items, such as video recorders, color television sets, and refrigerators. Corrupt practices found in the body of the Communist Party and the state are the result and hotbed of the "peaceful evolution" pushed by the international monopolistic bourgeoisie. Thus, launching the struggle against corruption and strengthening the party's ties to the masses in various fields also represent a major project waged by socialist countries against "peaceful evolution." They are strategic measures for ensuring that our cause will always be invincible.

#### Footnotes

1. *Collected Works of Marx and Engels*, Volume 2, p. 104.
2. *Collected Works of Lenin*, Volume 26, p. 269.
3. *Selected Works of Mao Zedong*, combined edition, p. 273.
4. *Ibid.*, p. 854.
5. *Selected Works of Liu Shaoqi*, Volume 1, p. 348.
6. *Selected Works of Mao Zedong*, combined edition, p. 758.

### Continue To Accelerate Development of the Export-Oriented Economy in the Course of Economic Improvement and Rectification

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[Article by Zhu Senlin (2612 2773 2651), secretary, Guangzhou City CPC Committee]

[Text] At present, Guangzhou, like other localities in the country, is earnestly implementing the central government's guideline of economic improvement and rectification and deepening the reform. Some people have expressed doubts regarding improvement and rectification, and are concerned it will impede reform and opening to the outside world, and are especially worried that the development of the externally oriented economy of a coastal city like Guangzhou might be affected. Below, I shall present my views on the problem and at the same time discuss the problems we must pay attention to in the development of an externally oriented economy.

Seen from the conditions of Guangzhou, improvement and rectification and the development of the externally oriented economy are complementary and help each other. On the one hand, in order to fulfill the tasks of improvement and rectification, it is necessary to develop the externally oriented economy; and on the other hand, the development of the externally oriented economy is indivisible from improvement and rectification. Basically, relations between the two are not conflicting.

The ultimate objective of improvement and rectification is to achieve the sustained, stable, and coordinated development of the national economy. Due to differences between historical and present conditions, there are disparities in the economic development of various localities. Hence, in implementing the guideline of improvement and rectification, we should suit the measures to local conditions and start from actual conditions. Guangzhou is the gate of the southern part of our fatherland, and historically it has been well-connected to various countries abroad. Add to this the many characteristics of its proximity to Hong Kong and Macao, and it possesses many strong points in absorbing foreign capital and developing an externally oriented economy. After the Third Plenary Session of the 11th CPC Central Committee, under the leadership of the party Central Committee and the provincial party committee, and placing reliance on domestic production and markets and taking the guiding direction of foreign economy and foreign trade, we have fully utilized the external resources and markets, devoted great efforts to developing the externally oriented economy, and tightened the relations between Guangzhou's economy and the international economy. Facts have shown that development of an externally oriented economy has important significance. For example, take the case of fixed-asset investment: Before the reform and open door, Guangzhou had not been the major point for state investments.

From 1949 to 1978 the accumulated amount of investment was only 7.02 billion yuan and the economic basis was rather weak. After the reform and open door, the state was still in a difficult financial state and investments in Guangzhou were still few, but the development of the externally oriented economy opened up the sources of capital and greatly increased the accumulation power. Over the past 10 years, the total amount of our fixed-assets investments was 34.942 billion yuan. This was 497 percent of the past 30 years, a considerable portion of which came from reliance on the externally oriented economy. With the growth in Guangzhou's economic strength, the remittance of profits and taxes to the central treasury was correspondingly increased. Many provinces and cities of the interior have also strengthened their liaison with the international economy thanks to this Guangzhou window. It can thus be seen that Guangzhou's development of its externally oriented economy has been beneficial to both Guangzhou and the whole country. Such a good guideline and policy should not and cannot be changed. Economic improvement and rectification has the purpose of facilitating the externally oriented economy to develop more healthily and not the opposite.

An important direction of the economic improvement and rectification is the readjustment of the industrial structure. This also is indivisible from the development of the externally oriented economy. For example, over the 10 years of the reform and open door, Guangzhou has vigorously introduced foreign capital and technology, organized jointly financed enterprises, and developed the system of "three forms of import processing and compensation trade." By so doing, it has not only injected renewed vitality into the traditional industries of electrical machinery, metallurgy, petrochemicals, and rubber, but also, for the sake of meeting the people's needs, caused the rapid development of newly emerging consumer goods industries such as those manufacturing electronic goods for daily use, machinery goods for daily use, automobiles, pharmaceuticals, precise petrochemical products, cultural and recreational goods, and drinking materials, and made great changes in the industrial structure. At present, in our municipality's industrial gross output value, the portion of the newly emerging consumer goods is over 30 percent. Again for example, development of the externally oriented economy has enabled the continuous growth of the municipality's foreign trade. In 1988 the gross value of our city's foreign trade exports was \$1.077 billion, a 702-percent increase over 1978 and an average annual increase of 23.15 percent! By contrast, in the several years before 1978, the value of exports had stayed at the level of only a little over \$100 million. The exports in foreign trade not only increased quantitatively but also involved gradual changes in quality. The variety of export products increased from five large kinds to 13 kinds and the composition of export products continuously improved in grade. In 1978 the proportion of initial-grade export commodities was 30 percent, but in 1987 it dropped to 23 percent; in the same period the

proportion of products in the processing industry rose from 70 percent to 77 percent. Again for example: The externally oriented economy has pushed the development of our city's tertiary industries such as commerce, the restaurant trade, services, transportation, and posts and telecommunications. As of the end of 1989, the whole city had built or rebuilt over 70 guesthouses and hotels for the reception of international tourists and guests. There were over 20,000 rooms in the hotels; and almost 10,000 small motor vehicles and carriage teams for hire were organized, of which the largest share came from utilization of foreign capital. As a result of the large increase in reception capacity, the number of international tourists and the amount of foreign exchange earnings have continuously increased and the door of labor employment was greatly widened. Labor export has also begun and the development trend has been exceedingly good. At present Guangzhou is operating some 74 enterprise units outside the city limits, located in Hong Kong, Macao, Thailand, Pakistan, the United States, and Canada. Their operation conditions are fairly good.

At the moment, the principal problem of our country's industrial structure is the backwardness of basic industries such as energy, raw materials, communications, and transport; while, generally speaking, there is a surplus in the capacity of the processing industry. In order to solve this problem in the course of improvement and rectification, the state has on the one hand controlled investment and the gross volume of consumption funds, and on the other hand has appropriately readjusted the investment direction. This has given the processing industry certain temporary difficulties and generated sluggish sales in the markets. Development of the externally oriented economy can fully utilize foreign raw materials, capital, markets, technology, and talented personnel and make up for the internal insufficiencies in these respects. It also eases the stringent conditions. Besides, it can change the situation of the processing industry's over-reliance on the domestic market and, by expanding the exports, solve the domestic problem of excess production capacity in certain processing industries and in the labor force, thus pushing forward the readjustment and amelioration of the industrial structure, product structure, and the enterprise organizational structure.

Another important aspect of the economic improvement and rectification is the enhancement of the technological level of production in our country. Development of the externally oriented economy helps in realizing this objective. In recent years, our city, resorting to various means, such as using our own foreign exchange holdings and using foreign capital, successively introduced from abroad 1,236 technical equipment projects for production use which included 35,136 sets of equipment and 239 production lines, costing \$640 million in foreign exchange. At present over 90 percent of the introduced technical equipment is up to plan requirements and has

entered into production. In one-third of the old enterprises in the whole city, particularly the major enterprises, the principal equipment for producing major products has been renovated or transformed and over 4,000 new products have been developed. Now, the level of the technical equipment in industrial and agricultural production in our city has been raised immensely. In particular, enterprises producing export products have found it necessary to adopt advanced techniques to meet the demands of the international market regarding quality, specifications, and volume of production. The externally oriented economy has become a strong motive force promoting and pushing technological progress.

It can thus be seen that development of the externally oriented economy not only does not impede but is beneficial to the implementation of the guideline of improvement and rectification. It helps in completion of the tasks of improvement and rectification. On the other hand, it must also be noted that, to allow the externally oriented economy to develop in a healthy manner, it is necessary to earnestly carry out improvement and rectification.

In recent years, Guangzhou, like the whole country, has been affected by overheating in economic development and problems like currency inflation, confusion and disruption in market order, and so forth. If these problems are not solved, then it will be extremely disadvantageous to development of the externally oriented economy. For example, large increases in commodity prices will continuously increase the production cost of export products, and the competitive ability of these products in the international market will be weakened while the positive aspects of the foreign trade units and enterprises will be deeply affected. Another example: An important attraction for foreign merchants to invest in China is our cheap labor and market stability, broadness, and extensiveness, but in recent years consumption funds have increased rapidly, wages and commodity prices have pushed each other along and risen continuously, and the markets have fluctuated constantly. Conditions of this kind have raised doubts for many foreign merchants. If they are not put under control soon, it may be possible to lose the ability to attract foreign capital. Besides, in recent years, confusion has reigned in the order of foreign trade. The practice of various sides to depress export prices has not only caused losses of credit and reputation for the foreign trade departments and the main domestic manufacturers, but has also made it difficult for the agents to operate abroad and for the long-term development of foreign trade. Against conditions of this kind, only by firmly and irrevocably carrying out improvement and rectification of the economy and allowing economic recovery to take its course, by maintaining a relatively stable price system and an orderly market, can conditions beneficial to foreign trade export and to the utilization of foreign capital be created. It may be said that improvement and rectification itself is beneficial to the reform and open door and to development of the externally oriented economy. It is

a measure that is indispensable for the creation of a benign domestic environment and is a condition and guarantee for continuing the open door and development of the externally oriented economy. Certain people inside the country and abroad have a one-sided understanding of improvement and rectification in our country and have come to believe that, following improvement and rectification, the steps in our reform will come to an end, the wide-open doors will be closed, and the externally oriented economy will find it difficult to continue development. This is a misconception.

In fact, the party General Committee and the State Council have repeatedly stressed the need, under the precondition of the reform and open door, to handle the economic environment and readjust the economic order. In our work we have felt deeply that this is entirely in conformity with reality. In the course of improvement and rectification, certain concrete policies may require certain necessary readjustments and some specific work may be affected, but we must not allow the reform, open door, and development of the externally oriented economy to be suspended or stopped. We firmly believe that improvement and rectification can only be beneficial to the reform, open door, and the externally oriented economy.

In order to continue to speed development of the externally oriented economy in the course of improvement and rectification, at present we should grasp well the following lines of work:

First, further improve the investment environment through economic improvement and rectification.

Several years ago, our city, managing such basic urban facilities and construction as communications, energy, posts and telecommunications, guesthouses, and hotels, played a big role in absorbing foreign capital. From 1978 to 1989, our city signed 1,480 contracts involving wholly foreign-funded, joint ventures, contractual joint ventures, international leasing, and compensation trade, with the guest side contracting to invest \$2.58 billion and our side actually realizing the utilization of \$1.313 billion. But it must be realized that, due to the rapid development of various undertakings, an excessive burden has been put on the city's basic facilities that have not yet kept up with this growth. In the process of economic improvement and rectification, the construction of city facilities should be further strengthened. In particular, planning should be strengthened, more investments should be put in, and more efforts should be devoted to such other areas as energy supply, information transmission, widening and rebuilding city thoroughfares, and amelioration of the environment (purifying water sources, avoiding air pollution, and planting more trees).

All those mentioned above belong to "hard environment" construction. At the same time, great effort should be devoted to the creation of the best investment for the "soft environment." At the initial stage of the

reform and opening to the outside, the investment direction of foreign capital was mainly toward the non-production departments. For example, from 1979 to 1984, nonproduction projects were 80 percent of the gross volume of utilization of foreign capital. This was basically unanimous with the direction of our strengthening the construction of urban basic facilities. After 1985, changes gradually developed in the situation. First, the proportion of the use of foreign capital on production projects gradually increased. In 1989, of the foreign merchants' direct investment projects, the proportion of productive projects was 94 percent. Second, the number of large and medium-sized projects increased; in 1989, there were 18 projects of over \$5 million each, comprising 59 percent of the total volume of direct investments. These changes illustrated the foreign merchants' continued confidence in the reform and opening to the outside policy of our party and government and on our country's economic development. At the same time, they have raised demands on improving our investment environment. The increase in investments in production projects and in large and medium-sized projects implied the closer relationship between foreign capital and the domestic economy. Foreign capital enterprises will have greater liaison with the relevant departments and enterprises inside the country in many areas, such as the supply of energy, raw materials, and equipment; production management; technical services; product marketing; raising and turnover of funds; financial control, foreign exchange control, industrial, commercial, and administrative control; and so forth, and the emergence of a problem in any one of the stages may disrupt production. In order to minimize all unnecessary investment risks by the foreign merchants and ensure their legitimate benefits, it is necessary to improve the "soft environment" of investment.

The so-called "soft environment" refers principally to such matters as policy, legal statutes, control structure, services, and personnel dispatched abroad. In improvement and rectification, we should emphatically perform well the job in the following areas: Further implementing well the state's legal statutes and the policy of encouraging investment by foreign merchants and our introduction of foreign technology and improving and perfecting the externally related economic rules and regulations of the localities; publicizing and propagating the work procedure and method of conducting foreign-related economic affairs so that the work procedure is publicized, standardized, and legalized; simplifying the order and procedure of examining, sanctioning, and augmenting the management and service center of foreign merchants' investments and improving its efficiency; rectifying the economic environment and forbidding the phenomenon of random collection of levies; respecting the autonomous rights of "foreign-invested enterprises" [FIE's], so that foreign merchants can run the enterprises according to international practices; adopting measures and helping those enterprises of the "FIE's" which have not performed well so that their economic effects may be

enhanced; promoting and nurturing means of production markets serving the enterprises of the "FIE's" and security markets, probing into currency reform suited to the enterprises of the "FIE's," and setting up the sinking funds principally for use in our coordinating funds to help the development of foreign enterprises; and setting up a citywide training system with many levels and a network for personnel of the externally related economy and raising the level of ideology, culture, and business quality of staff members and cadres related to foreign economic affairs.

At present, the international economic structure is carrying out a new readjustment. It provides us with a good opportunity to further absorb foreign capital and develop the externally oriented economy. Such an opportunity cannot last long. We must promptly catch hold of it and should not easily lose it.

Second, readjusting the structure, displaying the strong points, deepening the reform, and expanding exports.

Opening up foreign markets and participating in international competition constitute the trend of international economic development and the development of the externally oriented economy. For the sake of better participating in the division of work and competition in international trade, it is necessary for foreign trade export to have a relatively great development and for its growth rate to be higher than that of the GNP or that of the gross output value of industry and agriculture. At present our country has entered the peak period for the payment of foreign loans. Enlarging our exports is also a basic road to ease the stringent condition of our country's foreign exchange holdings. From now on, we should strive to make the foreign trade exports of our city attain an annual progressive growth rate of about 13 percent, and the volume of our foreign trade exports should be over 30 percent of GNP.

Over 90 percent of our city's foreign trade exports are industrial products, predominant among which are products of the consumer goods industries such as textiles, electrical materials, machines for daily use, pharmaceuticals, metallic products, foods, and beverages. In the international market, these products involve a definite degree of competition. At the moment, Guangzhou's products are exported to 131 countries and regions, reaching and spreading to Asia, Europe, Africa, North America, and Oceania. But the main export market is still Hong Kong, which accounts for 73 percent of the gross value of exports. This shows that the potential is still very great for development of the export trade with other countries and regions. From now on, along with continued development of the Hong Kong and Macao markets, we should open up the markets across the oceans, expand the markets in Southeast Asia and the Middle East, especially emphasize opening up the markets in North America and in West Europe, develop economic relations with the Soviet Union and East Europe, and actively open up trade with Taiwan.

The further development of our city's export processing industry is restricted mainly from two directions. The external factors are an insufficient energy supply and the comparative backwardness of the raw materials industry; the internal factor is the discrepancy in the technical equipment level and management level of the enterprises. These two problems have led to the high cost of earning foreign exchange and the poor quality of the products, and, if they are not solved, then expanding exports will be impossible. Only by strengthening the "short-line" will it be possible to maximize the display of the potential and role of industries with strong points. Improvement and rectification have provided us with a good opportunity for readjusting the structure. We must be determined to increase the proportion of investment in the energy and raw materials industries. In the introduction of foreign capital, it is necessary, by providing preferential treatment, to guide and to strive for more investments in the basic industries. If the state can control the scale of capital construction during the period of improvement and rectification, it will be beneficial to strengthening the technical transformation and control of the old enterprises, improve the quality and increase the quantity of the export products, speed up the renovation of the products, lower the cost of earning foreign exchange, and generally increase the economic benefits.

Expansion of exports also calls for removal of structural impediments. It is necessary to further deepen reform of the structure and create for the localities and the enterprises an environment and conditions that allow the moving in and moving out of goods at any time. The foreign trade control system should be reformed, the system of being solely responsible for one's own profits and losses should be enforced, operations should be decontrolled and in industry (agriculture) and trade production and market should be integrated. Foreign trade departments should actively invest in the forms of jointly run enterprises or a group formed by productive enterprises, and form a production circulation system oriented toward the international market. The right to accept orders for processing either with materials supplied by the patron or with self-imported materials and to carry out foreign trade transactions should be given to those enterprises with the necessary conditions, particularly large enterprises and enterprise groups. The administrative measures of bonded factories and bonded warehouses should be gradually enforced. Administrative departments of foreign trade, customs, currency and finance, and foreign exchange should formulate regulation systems and work procedures suitable to large-scale operations. Readjustment of the product structure and readjustment of the industrial organizational structure should be integrated. We should vigorously encourage and push the commercialization of scientific research organs, enterprises to carry out scientific research, and the unification of scientific research organs with enterprises. We should also actively develop transindustry/trade and transregional enterprise groups that use major products or products of well-known brands as

main products; add to the strong points of urban industries and trades, products, and technology; push the development of new products; raise efficiency through economies of scale; and strengthen the competitive power of our industrial products in the international market.

Third, actively developing mutual-help relationships between Guangzhou, Hong Kong, and Macao, further enlarging the cooperation and interflow of economic technology in the international arena.

As an international currency and trade center, Hong Kong has historically been the important road to our country's liaison with international society. Guangzhou's geographical location has rendered it closer than the inland to Hong Kong and Macao with respect to economic liaison. A situation of mutual compensation, mutual help, and mutual reliance has existed for a long time between Guangzhou, Hong Kong, and Macao. Indeed, to a large extent it may be said that prosperity for one will be prosperity for the rest and damage to one will be damage to all. For Guangzhou to continue to speed up development of the externally oriented economy and strengthen its economic cooperation with Hong Kong and Macao occupies an outstandingly important position in the economic improvement and rectification. Hong Kong is currently proceeding with the transition from a labor-intensive type of structure to one that is technology- and capital-intensive. This provides a beneficial opportunity for our expansion of exports. We must definitely follow Hong Kong's market changes and correspondingly readjust our city's production and exports. We must indeed fully utilize Hong Kong's status as an international commercial center and financial center and an interport, expand our foreign economic relations, and promote development of the externally oriented economy. Hence, it is necessary, on the basis of expanded trade between Guangzhou, Hong Kong, and Macao, to organize a direct interflow between the relevant industries and trades; strengthen economic and technical cooperation between Guangzhou, Hong Kong, and Macao; strive hard to introduce advanced technology; absorb modern business management experiences; and exchange news and information on commerce, finance, science, and technology. At the same time, we should perform well the jobs of liaison and connection between our city and Hong Kong and Macao in matters of communications and transport, transmission of news and harbor administration, and setting up the necessary economic coordination structure and liaison channel between Guangzhou, Hong Kong, and Macao.

Aside from Hong Kong and Macao, in recent years Guangzhou has daily strengthened its relations with various countries and regions of the world. It has established fraternal relations with seven cities in seven other countries. The scope of economic and technical cooperation has also been gradually enlarged. During the period of improvement and rectification and under the conditions of the renewed readjustment of the distribution of

resources in the country and the weakness of the market, one of the ways for the enterprises to extricate themselves from the dilemma is to further enlarge the external economic relations, fully utilize foreign resources, and enter deep into the international market, on the foundation already established. Aside from introduction of foreign capital and expanded export of products, we should develop labor exports and expand the contracting of building and engineering jobs abroad, as well as do contracting work in planning and designing services. We should also actively develop such business lines as trade in technology, international finance, transport and news transmission, and so forth. Along with doing a good job in education inside the country and accelerating the training of personnel in externally oriented economy and technology, we should introduce knowledge and expertise from abroad and intensify cooperation and exchanges in engineering technology and management and control. We should also, in a planned manner, dispatch personnel to Hong Kong, Macao, and abroad to study so as to train high-quality personnel at various levels.

Fourth, further develop and improve the economic and technical development region.

The Guangzhou economic and technical development region has been established for five years and has already built and developed an area of 4.6 square kilometers. Some 120 economic and technical contracts have been signed with merchants from 13 countries and regions of the world. The gross volume of investments designated in the contracts was 1.04 billion yuan, of which foreign capital amounted to \$166 million and actual use amounted to \$69 million. By the end of 1989, it had cumulatively produced industrial output value of 1.72 billion yuan, realized profits of 390 million yuan, earned \$271 million in foreign exchange from exports, and delivered over 130 million yuan in taxes. To further expand the fruits of the economic and technical development region, the municipal party committee decided recently to tightly manage construction of the Tianhe high science and technology industrial region and also to vigorously support construction of the Nansha development region jointly financed by Panyu County and persons like Huo Yingdong and others.

The original enterprises' introduction of foreign capital (or domestic capital) to develop new production or technical transformation has frequently suffered from the restrictions of basic facilities and land sites. In comparison, the situation of the economic and technical development region is much better. It has greater power to absorb foreign capital. Moreover, it can use foreign capital for development and, after development, more foreign capital can be attracted to establish and run plants. During the period of improvement and rectification, the country's finances are in a stringent state and it is obviously particularly important to the development of the externally oriented economy to perform well the job of running the economic and technical development region. We must continue to utilize well the special

policy that the state has endowed to the development region, develop systematically, effect introduction at a high starting point and on many levels, and build the development region into our city's base area for the introduction of foreign advanced technology and modern management methods and also the base for foreign exchange earnings from exports. We should continue to perform well and fully carry out the plans for the development region, perform well the introduction of projects. Regarding the industrial structure, we should form an industrial group of many levels and based on new technology and the newly rising industries. As for the economic structure, it should be based on industry, science, and technology to the end that production, operation, and science and technology are integrated. In the construction of the development region, we should firmly insist on close alliance with the construction of the old city area, take the city area as the basis, strengthen cooperation with the science and technology departments and the enterprises of the city area, lead the technical transformation of the old enterprises, promptly transfer the introduced, digested, improved, and renovated technologies to the old enterprises in the city area, and generally create conditions to enable the city area to increase exports of its products. For its part, the city area should support the building of development regions from various sides such as personnel, equipment, capital funds, and resources.

### **In Studying Food Industrial Policy, We Must Proceed From Our National Condition**

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in Chinese No 20, 16 Oct 90 pp 29-34*

[Article by Lu Luping (0712 1774 1627)]

[Text] An industrial policy refers to the industrial structural policy, industrial organizational policy, industrial technological policy, and industrial trade policy for the various industrial departments on and suited to the direction of their development in a given period and is formulated by the state proceeding from the existing condition of the various industrial departments, based on the position and role of the various industrial departments in the national economy and after analyzing the trend of their changes. As everybody knows, "food is essential in people's living," and the food industry, as the processing industry for agricultural, animal husbandry, and fishery products, is the continuance and development of agricultural production, the material foundation for improving people's living, and it is very significant for socioeconomic development. However, at the moment, our food industry is very backward, and, by studying the industrial policy on the food industry, how to expand the scale of the essential factors of production of the food industry, rationalize the trade structure and locality structure of the food industry, raise the technological level in production of the food industry, facilitate the smooth realization of the reproduction process of the food industry, and thereby speed up the development of the food industry so that it may better display its role in

the socialist modernization, is a problem that sorely needs solution in the economic life of our country.

The study and formulation of the industrial policy for the food industry of our country must proceed from the national conditions of our country. This is because development of the food industry, like other industrial sectors, suffers from the restrictions of sources of raw materials, consumption level, living habits, and processing methods. In comparison with the economically developed countries and other developing countries, our country has its special national conditions.

First, our country has a wide and extensive territory and the resources for development of the food industry are plentiful from the angle of gross volume, but the per capita volume of distribution is not large, and, besides, the ratio of resources having been processed is relatively small. For example, in 1988, although the amount of grain produced in our country was 3.9408 billion tons, which surpassed the U.S. production and ranked first in the world, on a per capita basis the figure was only 362 kilograms in our country, which not only was far lower than in such countries as Australia, the United States, and Canada, but was also lower than the world's per capita level. In our country, not only is there the problem of the small per capita volume of resources but also the problem of a relatively small ratio of the current resources being put into industrial processing. For example, of the food consumed in people's daily life, in recent years the portion that has gone through industrial processing in our country is only one-third, while in the United States the ratio of the industrial processing of agricultural products is as high as over 90 percent, and in the countries of West Europe the ratio is about 80 percent. It is true that the low per capita consumption of the agricultural, animal husbandry, and fishery resources in our country may affect to a certain extent the development of the food industry, but, at the same time, that the ratio of our country's agricultural, animal husbandry, and fishery resources going through industrial processing at present implies that there are still great possibilities for the development of the food processing industry.

Second, since the founding of the republic, our people's consumption level has been elevated greatly. But at the moment the per capita national income and level of consumption are still very low. According to statistics, in 1988, compared with 1952, the residents' average consumption level rose by 270 percent, computed according to comparable prices. Such a high growth rate is rare. However, the per capita national income in our country at present is still very low. In 1988, it was only 1,081 yuan and we were one of the countries of the world with a relatively low per capita national income. As we all know, the high or low consumption level of the masses has an important effect on the development of the food industry. For example, due to the low consumption level, at present the outlay on eating is outstandingly large in the consumption composition of residents in our country. In 1988, out of the total outlay for consumer goods for living by urban residents, the portion spent on

food was 51.36 percent; that spent by peasants was 53.4 percent of the whole. In studying the industrial policy for the food industry of our country, we must definitely consider this condition.

Third, on the side of food processing, our country has a long history and possesses superb techniques, but the form of processing is backward, its efficiency rate is low, and it is generally not suited to the rhythm of life in an industrialized society. Considered from the standpoint of microbiology and nutrition, it has an insufficient scientific character. According to historical records, as early as the Zhou dynasty, the millstone for wheat was in use and processing of various sorts of grain was in practice. In the Spring and Autumn period, official posts were set up for the preparation of salt from seawater, and an annual output of over 10,000 tons of salt was recorded. Wine-making has a history of over 6,000 years. Our ancestors not only had the early ability in the usual processing of raw materials of food but also, through prolonged practice in production and living, created many kinds of special food varieties. Because of the rather rigid selection of materials for these special food products, the precise and delicate processes involved, and their resultant good flavor and taste, China earned the title of world food kingdom.

However, following rapid development in modern science and technology and in the social economy, obvious changes have occurred in the role of food processing. For example, the demand of large industry to speed up the rhythm of living had asked the food industrial department to provide products that can reduce housework and labor. As a result of the strengthening of internal and external socioeconomic liaison and increased industrial pollution causing the aggravation of the spreading of germs, the food industry is required to provide safe and hygienic food products; and because of widespread knowledge about nutrition, food processing sectors are required that their products not only be able to maintain the characteristics of good looks and good flavor and taste but that they also possess relatively rich nutritional value. It is still not possible for food processing in our country to fulfill all these new demands. According to an investigation, because of the extreme shortage of industrially processed ready-made food products, using liquefied gas or coal gas facilities, the labor time for an ordinary worker's family to cook three meals a day is six hours; this is extremely disadvantageous to the worker's studying or resting. According to another investigation, food plants in economically developed countries usually have on their payroll nutrition "masters" who make scientific recipes for their products, whereas the food factories in our country lack the system of employing nutrition specialists, and they lack a precise determination of the nutritional value of their products. Hence, for the sake of the overall display of the functions of the food industry in social life we should proceed from the above-mentioned national conditions and earnestly probe into the possibility of instituting an industrial policy for the food industry which integrates the strong



points of the traditional processing technology with modern nutrition and the theories of sanitation and hygiene.

Fourth, after more than 40 years of endeavor, our country's food industry has set up a processing system comprising a fairly complete assortment of industries, trades, and departments and that is semimechanized or fully mechanized, thus providing a reliable basis for the continued development of the food industry. However, compared with the advanced level abroad, we are still rather behind. For example, in economically developed countries, because nearly all the raw materials of the agricultural, animal husbandry, and fishery products must go through processing before entering the market, the output value of the food industry is usually 200 to 300 percent of the output value of agriculture, whereas in recent years in our country it has been only about 30 percent. In economically developed countries, because of the high level of comprehensive utilization and the large number of products that have gone through many levels of processing, at present the increased value of their food industry usually amounts to 300 percent of the prices of the raw materials of agricultural products, whereas in our country it amounts to only 160 percent. And, in economically developed countries, automation has been extensively realized in production in their food industry and hence their labor productivity rate is rather high, whereas in our country the labor productivity rate is about only one-tenth of theirs. Regarding the above-mentioned conditions, on the one hand we cannot underestimate the strong foundation already laid, and on the other hand we cannot overlook the rather great discrepancy from economically developed countries. We should cautiously probe into an industrial policy for the food industry that conforms with our national conditions.

Proceeding from the above-mentioned conditions, in my opinion, from now to the end of this century and the early period of the next century, the industrial policy for our food industry should embrace elements in the following six areas:

**First, the processing of agricultural product resources should occupy a relatively large ratio in the industrial structure.** Many economically developed countries such as the United States, Australia, and Canada have a large per capita area of cultivated land and the per capita portion of grain is large. As a result, more feed materials are available for the development of animal husbandry, thereby making it possible for the diet of the residents to be composed mainly of meat and milk products. Corresponding to this, the internal industrial structure of the food industry generally has a relatively high composition, or ratio, of cattle product resources and the ratio is even higher than that of agricultural products. In some countries, like Britain and Germany, although the per capita cultivated land area is relatively small and the per capita portion of grain is not large, because of their relatively high level of economic development, these countries have the economic strength to import large

quantities of grain or feed materials for use in the development of animal husbandry; as a result, the diet of the residents of these countries is composed mainly of meat products and milk products and the internal industrial structure of the food industry similarly displays a large proportion of processed resources of cattle products. The current industrial structure of our country's food industry is precisely the opposite of that abroad. Computed according to materials in recent years, the ratio of processed animal product resources is only 20 percent of the output value of the whole food industry, while the proportion occupied by processed agricultural product resources is relatively large. Processing of grain and edible oils alone already amounts to more than 30 percent of the output value of the whole food industry. It is true that changes may occur in this type of industrial structure of the food industry following continuous development of the economy and the continuous rise in the people's consumption level. The ratio of processed animal product resources may gradually rise and the proportion of processed agricultural product resources may gradually fall, but, after all, our country is a large country with a population of 1.1 billion, per capita cultivated land is small, and, added to this, the fact that the conversion of vegetable protein to animal protein at present is at the rate of 5:1, plus the additional fact that lately we do not have the economic strength to import large quantities of grain or feed materials to push development of animal husbandry, all this determines that for a rather prolonged period our country will be unable to form a food structure comprised mainly products of the meat or milk category. This being the case, the industrial structure of our country's food industry cannot be like the economically developed countries and have a large proportion of processed animal product resources. Rather, it should take the road of principally developing the processing of agricultural product resources and at the same time should actively develop the processing of other edible resources. This is a problem that should be first considered in our country's formulation of an industrial policy for the food industry within this century.

**Second, raising the utilization efficiency rate of resources should begin with expanding initial processing.** An important significance in the development of the food industry is the industrialized processing of food resources. Compared with carrying out the traditional indigenous method of processing food raw materials, this can greatly increase the utilization efficiency rate of resources. For example, speaking about the general technical level currently reached, using the factory system of processing raw grain, compared with processing using the indigenous, and the semi-indigenous and other methods, can raise the product output rate by two percent; using the factory system of processing oil-bearing materials, compared with the ordinary workshop's indigenous method of compressing, can produce five cattles more oil from every 100 cattles of oil-bearing materials. The indigenous method of slaughtering fowls and animals aims mostly at extraction of the meat, but in



the factory system of processing, a large quantity of by-products can be put to use. For example, bone oil, bone meal, and bone glue can be extracted from the bones of animals; and protein resources, as well as many kinds of micro elements of iron, calcium, and phosphorous, can be extracted from the blood of animals. Compared with economically developed countries, at present our country's efficiency rate of utilization of food resources is still very low. The ratio of the output value of the food industry to the output value of agriculture is only one-sixth to one-ninth that of the economically developed countries. Such a condition sorely needs change and rectification. However, for the sake of effectively raising the utilization level of our country's food resources, for a certain period at present, it is necessary to begin with expanding initial processing, that is, to take expanding the scope of industrial processing as the major point and the first important method of raising the efficiency rate of utilization of resources, and it is necessary to reach as soon as possible the stage of using machines to replace indigenous methods or a combination of indigenous and other methods of processing food raw materials. Simultaneously, localities with the necessary technology and capital should also actively develop the comprehensive utilization and multilevel intensive processing of raw materials.

The national conditions of our country determine that, in raising the efficiency rate of the utilization of food resources, we should begin with expanding initial processing. 1) In our country, because the rural population is over 80 percent of the total population, and because of the low commodity rate of agricultural products, large quantities of food raw materials and resources currently still do not go through industrial processing. Tightly grasping the time element and rapidly realizing industrialized primary processing of various agricultural products, when compared with only focusing on intensive processing, is the most realistic and most effective road in our current development of large-scale agricultural food and resources. 2) In the large-scale comprehensive utilization and multilevel processing of the food industry, there must be a relatively developed scientific and technological strength in the food industry to take the lead. Our country is a developing country. The scientific and technological foundation of our food industry is relatively weak. Under such conditions, we can only follow the development laws of science and technology to do work and begin with expanding initial processing. By so doing, we can more rapidly raise the utilization rate of resources and can continuously train scientific and technical personnel for the food industry and accumulate experiences in processing techniques for the sake of the further development of large-scale intensive processing. 3) The large-scale development of comprehensive utilization and multilevel processing in the food industry also requires the input of a rather large investment in construction. Currently, our country is moving ahead with socialist modernization, and funds

are scarce on all sides. Only by expanding initial processing and taking it as the main task is there any definite feasibility.

**Third, improved nutrition depends principally on developing the processing of vegetable protein.** According to nutrition principles, the calories in food are composed of the three elements of carbohydrate, protein, and fat. At present, the number of calories that people of our country absorb from their food has a comparatively large proportion derived from carbohydrates and a relatively small proportion from protein, though in total quantity it corresponds to the standard ordinarily needed by the human body. Since protein contains carbon, hydrogen, nitrogen, and other elements such as sulphur and phosphorous, it is a material that is necessary for structuring the bodily organization of living things and is a nutritive component that cannot be lacked for the growth of the human body and the repair of wear and tear on body organs. It is the foundation of all life and, therefore, increasing the supply of protein has an important significance for improving the nutritional level of the masses of the people and enhancing the quality and physique of their bodies.

Seen from the development level of current science and technology, there are three ways to improve the supply of protein: 1) Through development of the agrarian economy, increase vegetable protein. 2) Through development of animal husbandry and the fisheries trade, increase animal protein. 3) Through the nurturing and rearing of single-cell microbes, produce single-cell protein. The road basically taken by economically developed countries is the development of animal protein. In our country, we have a large population, little cultivated land, and a relatively backward economy. In this century and even in the next century, the large-scale development of animal protein, even from the standpoint of the supply of feed materials, not only is difficult because of the difficulty increasing domestic grain output, but also we do not have the means to import large amounts of feed materials from abroad. Hence, it will not be possible to take the road of the economically developed countries to develop animal protein. Development of single-cell protein also cannot be taken as the main road to increasing our country's supply of protein because we are not fully up to the standard in technology, prices, and eating habits and absolutely cannot hope to solve the problem in the near future. Considered from the above conditions, to improve the nutritional condition of the people of our country, we should rely basically on development of vegetable protein. We must attach importance to developing the processing industry of vegetable protein, particularly the processing of soya, peanut, sesame, and other oil-bearing products. We must, in a planned manner, convert the past processing technique of extracting only fat and grease to that of extracting both protein and fat and grease and earnestly bring about an immense development of the vegetable-protein processing industry of our country.

**Fourth, expanding ready-made food should take as a precondition the gradual development of industrializing the traditional food industry.** Ready-made food is food prepared in advance by plants in accordance with scientific recipes, and it either needs no handling or cooking or needs only a little handling before its consumption. Compared with homemade food, aside from being time-saving, it can be processed according to the demands of nutrition; it has vitamins, minerals, and, with other nutrients added, can generally augment the nutritional value of the food; by means of the processing measures of disinfection and packing, contamination can be avoided during storage, transportation, and consumption, and this is beneficial to food hygiene; also, through reductions in the transport stages, labor productivity can be raised, comprehensive utilization can be developed, the production cost of food can be reduced, and so forth. It can thus be seen that development of the production of ready-made food has great socioeconomic significance.

In our country at present, since development of the construction sector and the increase in people's standard of living, the understanding of hygiene and sanitation has grown and the problem of greatly developing ready-made food has been placed on the daily agenda of our country's food industry. But it must be pointed out that, at the moment, the economy of our country is not yet developed and, besides, we have the world's most lasting and most splendid dietary cultural history which has shaped our special dietary habits. Viewed from this angle, in the development of ready-made food in our country we should never be blindly superstitious of or indoctrinated by the European and American styles, caring only for the development of convenience foods such as bread and biscuits, and we must proceed on the basis of continuously pushing the industrialization of traditional food. Concretely speaking, regarding certain major kinds of food which our various races have handed down from generation to generation and which they are still consuming today, including steamed buns, large flatbread, deep-fried twisted dough sticks, and so forth, we should use industrialized processing to take the place of processing by hand so as to reduce the labor burden of the masses. Regarding other traditionally well-known and special foods with a good reputation both domestically and abroad, we should also proceed with the experiences of inheriting and displaying the preparation of special foods, carry out industrial processing, and develop them into ready-made food products so that they become specialties with a large-scale production, of stable quality, and good for prolonged storage, and, compared with past production by hand and in workshops, thereby be more suited to the expanded demand of the domestic and external markets.

In our development of ready-made or convenience food, why we must carry it out on the basis of continuously pushing the industrialization of traditional food has deep-lying socioeconomic causes. This is because people's dietary habits not only are restricted by the level of economic income but also are the comprehensive

product of such factors as geography, history, indigenous customs, and people's culture and are formed after prolonged development under stated conditions and are difficult to change. At the same time, in economically developed countries, development of ready-made food is closely related to the ability of the food industry in these countries to produce high-quality basic materials (such as various forms of concentrated and refined edible oil and high-grade flour). Provision of these kinds of high-quality raw materials is also inseparable from development of superior seeds in agriculture. In our country, whether it is the agricultural scientific research work and technical equipment, or the techniques of food industry and processing equipment, all of which will still take a long time before we can reach such full-scale development. Based on the above-mentioned causes, we likewise need to place the work of developing ready-made food on the basis of gradually realizing the industrialization of the traditional food industry.

**Fifth, development of food packing should take the simplified road.** Advanced methods of food packing can bring relatively high economic effects to production and circulation and make it convenient for the consumers. For example, advanced food packing can increase the shelf life of food and is beneficial to large-scale production and marketing; it thereby helps to reduce the cost of production and speed up the turnover of funds. It can maintain the sanitary quality of food, makes it convenient to use, and thereby increases the consumer's sense of security on the one hand, and enables the consumer to save time and work in cooking on the other hand. Because of the above-mentioned causes, and added to this the fact that the economically developed countries in the last several decades have made breakthroughs in the technology of the packing-materials industry (such as compound packing materials resistant to high temperatures and sundry insects and pests), the production and use of packing materials have achieved a rapid development. For example, in the United States, the scale of the production and consumption of packaged materials in the 1980's, according to market sale, are comparable to the textile and papermaking sectors and have become a relatively large sector in the national economy. In Japan, in 1983, the gross ex-factory amount of packing materials and containers was 4,897.5 billion yuan and the scale was very close to that of the textile industry and papermaking industry. At present, in the economically developed countries there no longer exist any unpackaged foods, even in the case of beancurd, coffee, tea, sugar, and vegetables. Low-priced food such fruits are also packed and sold in plastic boxes, plastic cups, or plastic bags.

Development of food packaging is an important task currently confronting the food industry of our country. Because of the poor packing of food, our country has yearly suffered frightful economic losses. According to statistics, the annual purchase of vegetables in recent years was 35-40 billion jin, but, because of poor packing and storage conditions, waste was enormous and the

yearly loss was estimated at about 300 million yuan. The amount of losses in fishery products because of poor packing has also been frightful and is estimated to be 10 percent of the catch and a yearly loss of some 600 million yuan.

Development of the food-packing industry must be fully considered from the two sides of technology and economics. This is to say, we must consider, on the one hand, the role of food packing on food storage and transport and, on the other hand, the effects on the prices of the packaged products. In economically developed countries, because of the relatively high consumption level of the masses, the people have the ability to bear the higher prices of packaged food products (at present in these countries, the cost of food packing amounts to about 10 percent of the total cost of production of the food; in the United States it is 13 percent; and in Japan it averages less than 10 percent). In our country, the consumption level of the people is relatively low and the ability of the broad masses to bear the extra cost of food packing is considerably lower than for people in economically developed countries. On the other hand, because our country's packing-materials industry (particularly with reference to the packing materials newly invented over the past 20 years) is rather backward, the cost of production is high and, as a result, the cost of the packing materials for many kinds of products is nearly 20 percent of the total food cost, and in some cases amounts to even over 40 percent. This is very difficult for the masses of consumers to bear. In light of this, in our development of the food packing industry in the near future, aside from food for export and a small number of high-grade food products for domestic sales, regarding food products for internal sales, particularly food for public and general consumption, we can only insist on the road of relatively simplified food packaging and cannot one-sidedly seek new technology and high quality. Food packaging requires good looks, a studied artcraft, and the ensured safety, sanitation, and preservation of nutritional value, and we must attach importance to application of relatively cheap food-packing materials and a simplified method of packing, striving for the best combination of technical character and economic character. For example, if thin plastic film is required, then compound materials need not be used. If two layers of compound materials are needed, then three layers need not be used, so as to lower the production cost and be suited to the consumers' ability to bear.

Sixth, in the geographic distribution of industries, we should pay full and important attention to the role of the food industry in towns and townships. There must be a rational geographic distribution in developing the food industry. Since food is the people's basic means of living and is indispensable for the daily three meals, and since the raw materials that are processed in the food industry are living things that can easily deteriorate and change in quality, the distribution of food plants should be close to consumption-concentrated regions or raw materials-producing areas. Generally speaking, factories requiring

comparatively large-scale transportation of raw materials and processing of a strongly seasonal character, such as plants processing fruits, vegetables, milk products, and fishery products, wherever possible should be set up in the raw materials-production areas. However, plants whose cost for transporting finished products is higher than the cost of transporting the raw materials and which must maintain the relatively freshness of their products, such as those processing bread, beverages, candies, and cakes, should whenever possible be located and concentrated in large and medium-sized cities. In economically developed countries, the urban population is over 80 percent of the total population, their communications and transport are convenient and developed, and their food industry is concentrated principally in the cities and towns, while the rural areas usually take up only the processing of raw materials. The conditions in our country are exactly the opposite. The ratio of our rural population is relatively large and communications and transport in our country are backward. Hence, it is necessary to place the food industry of the towns and townships in an important position. This is not only suited to the actual conditions of our rural consumption markets, which are wide and extensive, and transport conditions, which are backward, but also brings along benefits in many areas. First, it is beneficial to processing the resources on the spot and reduces the loss of raw materials during transport. Particularly in the case of fruits, vegetables, fishery products, and so forth, the effects of on-the-spot processing are obvious. Second, it helps to reduce the cost of production. In the case of certain raw materials to be processed in the food plants, their by-products require a large quantity of raw materials, and if processing is done in factories set up in the towns and townships near the raw materials-producing areas, then the transport factor can be reduced to a minimum and production costs can be lowered. Third, it helps to raise the quality of the products. According to the usual conditions, food plants in cities and towns have a relatively higher level of production technique, and no doubt the quality of the products may be better, but the quality of certain products, if processed on the spot in the rural areas, may be enhanced, due to the shortened time and space between procurement of the raw materials and making the final products. For example, fruits processed in cannery plants in cities and towns are mostly picked before they are fully ripened and are then packed for transport. The result is that the freshness of the fruits cannot be maintained. If we are to enforce the integration of urban and rural areas, then we should appropriately develop the rural food industry. In such a case, the fruits will first be skinned in the rural villages, cut into pieces as desired, and have the core or stone removed and other preliminary processing work done, including packing into cartons for transport to the cities for the canneries to do the final processing. By so doing, the above-mentioned undesirable features can be removed. The above conditions show that, in studying industrial policy for the food industry, paying more attention to the development of the rural food industry is not only determined by the national conditions of our

country but also is highly beneficial to the development of the entire national economy of our country.

Finally, it should be pointed out that, because the factors restricting development of the food industry will follow the development of the national economy and change, the content of an industrial policy for the food industry for a stated period can only be of a relative character. The points of understanding mentioned above have been analyzed on the basis that the standard of living of our country at the end of this century and in the beginning of the next century will have attained the stage of being fairly well-off. Undoubtedly, when the fairly well-off stage of our country has reached another stage of higher economic development, the content mentioned in the foregoing must be duly readjusted. In short, on this problem we cannot adopt a static or rigid viewpoint.

### **Has the Essential Nature of Capitalism Changed?—Commenting on Several of Comrade Tong Dalin's Ideas on the Question of the Essence of Contemporary Capitalism**

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in Chinese No 20, 16 Oct 90 pp 35-42*

[Article by Zhuge Lin (6175 5514 7792)]

[Text] How are we to understand some of the new phenomena that have appeared in the development of contemporary capitalism? Comrade Tong Dalin [4547 1129 2651] has put forward his own ideas on this. He holds that the essential nature of capitalism has changed and Marx's theory of capitalist exploitation is now outdated. As these words come from the mouth of a theoretician of such social standing and influence as Comrade Tong Dalin, it has meant that the issue has become more serious and acute. On this major theoretical question of right and wrong, we believe that it is necessary to clear up any confusion and not just remain silent.

### **I**

What is the basis of Comrade Tong Dalin's claim that the essential nature of capitalism has changed? One of the major bases is the claim that the class attribute of state intervention in the economy has changed. He points out: "Can we say the following? The automatic competition of the market mechanism encourages people to fully display their own free will and abilities in seeking their own immediate personal interests. However, the state protects the long-term and basic interests of the ruling class. Thus, intervention by the state cannot directly represent the interests of any individual or group and, at least on the level of overall benefits, intervention will have significance for all the people. The working class also obtains certain benefits from this. When the overall national economy develops, everyone benefits. It is just that the size of the benefits obtained by the bourgeoisie and the working class differs."<sup>1</sup> Here, although Comrade Tong Dalin is putting a question, his answer is in the affirmative, unequivocally so. He holds

that the bourgeois state, if not consciously then at least in terms of its objective results, represents all people. This is certainly an unusual statement. But can we or can we not affirm its truth? On the class nature of the capitalist state, Marx and Engels pointed out long ago that "the modern state, no matter what its form, is essentially a capitalist machine, the state of the capitalist, the ideal total capitalist."<sup>2</sup> Bourgeois states are "nothing more than committees managing the joint affairs of the total bourgeoisie."<sup>3</sup> Do the judgments of the authors of the Marxist classics still apply to the realities of contemporary capitalism? We believe that they undoubtedly do.

Clearly, there are very major differences in economic intervention by capitalist states in different stages of capitalist development. In the stage of free capitalism, the capitalist states adopted toward the economy a laissez-faire noninterventionist policy, and allowed the "unseen hand," that is, the law of value and the market, to spontaneously regulate and stimulate capitalist development. The capitalist states of that time, as the capitalist superstructure, provided legal and administrative guarantees for the capitalist economic base. This accorded with the demands of capitalist development at that time. Regular, large-scale macroeconomic intervention by the capitalist states began after the great crisis in the 1930's. In the 1930's, capitalism experienced a major worldwide crisis, causing the capitalists, who had already entered the monopoly stage, to feel that reliance solely on the "unseen hand" to automatically regulate the economy was no longer effective and that, unless macroeconomic regulation measures were adopted, capitalism would be in danger of collapse. Thus, the capitalist states linked up more closely with monopoly capitalism and set to work to implement macroeconomic intervention and regulation.

Capitalist states' macroeconomic intervention and regulation was generally manifested in three aspects: 1) Through legal, administrative, and economic measures and mainly through fiscal and monetary policies, they intervened in the major links in the national economic processes of production, distribution, exchange, and consumption. 2) Through nationalizing some enterprises, they began to directly operate enterprises and thus the state became an important investor in the national economy. 3) Through taxation, they carried out redistribution of national income and provided some social welfare services. Contemporary capitalist states have clearly strengthened intervention in the economy, but the class nature of state economic functions has not undergone the sort of change described by Comrade Tong Dalin as "having significance for all people."

The capitalist state played a role as master capitalist in the past and still does today, as a machine of dictatorship of the bourgeoisie, and continues to do that which individual capitalist enterprises want to do but cannot, namely, safeguard the stable development of the capitalist economy, consolidate the capitalist system, and satisfy the needs of the bourgeoisie to obtain the greatest possible profits. Let us take an example. After the war,

the U.S. Government intervened in agriculture. Using price supports (price subsidies or credits), it restricted the production and sale of agricultural products so as to stabilize the incomes of farm owners. It appears that the U.S. Government policy of intervention in agriculture was beneficial to all farm owners, including agricultural operators. However, this was not in fact the case. Those who obtained the financial subsidies and enjoyed the benefits of state intervention were mainly the large farm owners. This was because only the large farm owners had sufficient land to allow them to limit cultivation and thereby obtain the government subsidies. The small farms with land measured only in the tens of hectares obtained very few benefits or none at all. The government's agricultural credit also went to the large farm owners. For example, in 1969, large farms with total sales in excess of \$40,000, which constituted only 7.1 percent of the total number of farms, obtained 40.3 percent of the subsidies. Small farms, with total sales under \$5,000, which constituted 50.8 percent of all farms, received only 9.1 percent of total subsidies. In 1983, in California alone, 50 large farms received material subsidies valued at \$1 million or above. Former U.S. President Eisenhower once admitted that "the majority of farmers have obtained too little benefit from our agricultural support legislation. There are even some who have obtained no benefit at all. Only about 1.5 million commercial farms have obtained any amount of funds from the price support expenditures and, of these people, only that strata with quite high income have really benefited."<sup>4</sup> The intervention in agriculture by capitalist states was like this and their intervention in industrial production, financial affairs, commodity circulation, foreign trade, scientific and technological research, and the people's consumption was also like this. The state's intervention in these spheres has always been for the purpose of coordinating the overall interests of the bourgeoisie and of doing things that individual capitalists cannot do, but need to do and can do only by relying on the strengths of the "total capitalist." The role played by contemporary bourgeois states is still that of "watchman" and much more so today than in the periods of free capitalism and the period of general monopoly capitalism. This point has also been clearly observed by some bourgeois economists. The U.S. economist Joseph Stiglitz wrote that "limited government intervention can alleviate (but not solve the worst problems); the government takes an active role in maintaining full employment and alleviating the worst aspects of poverty, but private enterprise plays the central role in the economy."<sup>5</sup> He points out that if the government does not protect private property the capitalist economy will not develop. Otherwise, why would it be necessary to have the government intervene in the economy?<sup>6</sup> From this we can see that the reality of intervention by contemporary capitalist states is not, as Comrade Tong Dalin says, something "which has significance for all of the people" or whereby "everybody benefits."

Nationalization, the development of quasi-state (state-invested, privately run) and semi-state enterprises and

engaging in direct investment by Western states is also intended to bring into play the state's role in "managing the joint affairs of the bourgeoisie." Its economic power is used to control and influence the orientation of the economic and political activities of the various classes of society, coordinate the interest relationships between capitalist groups, save enterprises that are close to bankruptcy or that capitalists feel are unprofitable and are unwilling to continue operating, support enterprises that are indispensable in protecting the overall interests of the bourgeoisie, provide transfusions to the monopoly capitalist class, and guarantee that they obtain higher profits. We cannot talk about nationalization divorced from the nature of the state and the aims and results of nationalization, nor talk about the bourgeois state-owned economy in the same way as the socialist state-owned economy. The reason nationalization in bourgeois states is centralized in national defense, finance, insurance, posts and telegraphs, communications, and such sectors is because the finance and insurance sectors can provide capital for monopoly capital; communications, the posts and telegraphs, and basic industrial sectors can provide cheap raw materials and basic facilities; the military sector can directly protect the capitalist system; and the scientific and technological research sectors can reduce investment by monopoly capital and allow it to enjoy the results of scientific and technological research at a low cost. Nationalization is generally carried out through the bourgeois state's purchase of private enterprises at high prices. In the process of nationalization, the money that was created by the blood and sweat of the laboring people and which was accumulated through taxation again ends up in the pockets of the monopoly capitalist class. In the case of many enterprises, nationalization has actually involved the bourgeois state using state funds (the taxes paid by the people) to renew the fixed capital of the capitalists and to take on their investment burden. Under conditions that are extremely advantageous to them, the monopoly capitalists sell off to the government those sectors which have no prospects for development and which lack great profit potential.<sup>7</sup> Nationalization operates in this way. Also when nationalization is not beneficial to the monopoly capitalist class, some countries sell state-owned enterprises to monopoly capitalists and thereby privatize them. This proceeds from a similar goal. How can we say that such bourgeois nationalization does not represent the interests of bourgeois individuals or groups and instead "has significance for all of the people"?

As to the governments providing public welfare facilities from which it superficially appears that "all people benefit" and "from which the working class obtains definite advantage," in examining an issue, we cannot just look at the superficial level, we must go deep to investigate the essence. The public welfare services that have been provided by some Western countries are measures adopted in response to intensified class contradictions. They are reformist measures adopted by the bourgeoisie in order to alleviate social contradictions and obtain social order. They in no way basically resolve the

serious polarization between rich and poor, but instead allow the monopoly capitalist class to obtain more advantages. First, this numbs the proletariat, destroys their fighting will, and achieves the aim of safeguarding the capitalist private ownership system. In fact, as Marx said, raising the benefits of workers and improving wages is "restricted within the scope allowed by capitalist exploitation and, finally, the essential social subordination of workers to capitalists, that is, the absolute relationship of subordination, is ensured."<sup>8</sup> Second, through social welfare expenditure, the capitalist market is expanded. This alleviates the contradiction between continual expansion by capitalist production and insufficient consumption by laborers, thereby supporting the reproduction of monopoly capital and meaning that monopoly capital can obtain high profits. The "food stamp act" enacted by the U.S. Congress in 1964 is an example of this. This act stipulated that the state would, through subsidies, provide low-income households with low-priced foodstuffs. With the implementation of the "food stamp act," the government used the taxes paid by taxpayers to purchase surplus agricultural products, meaning that a large volume of surplus agricultural products could be sold, and great profits continued to pour into the pockets of the large farm owners. When there was a poor harvest or an increase in exports, the needs of the low-income families and the volume of foodstuffs were not guaranteed. Thus, rather than saying that this program was intended to help poor households, it would be better to say that it was intended to help agricultural capitalists. Even bourgeois scholars have recognized this: Welfare facilities "use government spending and financial policies to regulate overall demand, so as to accord with the production capacities of the private ownership economy."<sup>9</sup> Third, the funds expended by governments on welfare facilities actually come from the pockets of taxpayers and the costs are thus borne by the laboring people. In Western countries, one-third of the laborers' wage income is paid in income tax and social insurance tax. Although capitalists also pay taxes, they can use the methods of reducing real wages and raising product prices to pass taxation liability onto the laborers. Laborers pay taxes but, in the enjoyment of social welfare benefits, they receive very uneven treatment. In the United States, on the face of it, it appears that a millionaire and a poor person who owns nothing enjoy the same rights to enjoy medical and health services. However, in fact, "many benefits are not provided on the basis of need." Rather, only when a person meets the conditions "do they have the right to receive the benefits."<sup>10</sup> Thus, those who actually receive the benefits are not the proletarians, but the wealthy families and capitalists. For example, seven percent of the U.S. federal expenditure in 1977 was for health. Of this, 28 percent went to high-income families, 27 percent went to middle-income families, and only 29 percent went to the poor. The number of people in the first two groups is far smaller than the number in the last group and yet the first two groups received twice the benefits of

the last group. Social relief and other welfare expenditures constituted 33 percent of the government's expenditure and this was also used mainly on those in the middle strata and above. Thus, in the United States, "nearly all experts believe that the government's welfare policies are not effective." In today's United States, "below the widespread prosperity, there is concealed an obstinate and unchanging poverty."<sup>11</sup> How can we say that this intervention "has significance for all of the people"?

## II

Another of the major bases of Comrade Tong Dalin's thesis is that qualitative change has taken place in the system of ownership of the means of production in contemporary capitalist society. Comrade Tong Dalin says that in Western countries the shareholdings system has developed very quickly, there has been a dispersal of shares, and there has been a growth in shares held by staff and workers. "Ordinary staff and workers can buy shares, and many large companies are divided into tens of thousands of shares, and sometimes even more." "Shareholders are becoming an increasingly widespread social phenomenon." Thus, he holds that this has "posed a question of basic importance. Is a large-scale share company privately owned by a small number of financial magnates and capitalists, or is it jointly owned by shareholders numbering in the tens of thousands? If it is the latter, what is the nature of this joint ownership? Is it a more degenerate form of capitalism? Or are the socialist elements of large-scale production and a large-scale economy showing themselves?"<sup>12</sup> Although here Comrade Tong Dalin is also expressing his own opinion in the form of a question, it is clear from the text above and below that his conclusion is in the affirmative.

Marxists believe that the nature of the relations of production in a society or an enterprise is determined mainly by whose hands control the means of production. If control of the means of production lies in the hands of the capitalists, then it is a capitalist enterprise. If society has capitalists as its main entities, it is a capitalist society. Only if the proletariat expropriates the expropriators through social revolution and the laborers take control of the means of production into their own hands will the nature of society and enterprises see a basic change. In fact, over the last few years, the development of the shareholding system in Western states has not changed the situation.

Having staff and workers owning shares does not change the capitalist nature of the shareholding company. Rather, it is a method of strengthening control by financial magnates and consolidating the capitalist private ownership system. We have seen that there are some countries in the West in which, although development of staff and worker shareholders seems to be quite swift and spokespersons of the bourgeoisie talk much about staff and worker shares and make extravagant claims that it is the "democratization of capital," "popular capitalism," and so on, actually it is not like this at all.



For example, in the late 1960's, in the United States, we saw the beginning of the Employees Stock Ownership Program (ESOP) movement. It was claimed that more than 9,000 enterprises were involved, that more than 8 million employees were participating, and that in some enterprises "100 percent of employees had purchased shares." It is said that the capitalists used this method to "motivate the enthusiasm of the workers," and to save a number of enterprises which were going to go bankrupt and thereby save over 50,000 workers from losing their jobs. ESOP was initiated by a lawyer-cum-capitalist. He felt that only if workers held shares and were thereby turned into capitalists, could the capitalist system be saved and could class struggle be alleviated. Thus, the development of this program has received U.S. Government support since the beginning of the Reagan presidency, both in terms of credit and reduced taxes. But, have these ESOP enterprises become "jointly owned by the workers" or become "collectively owned" in a way which shows "socialist elements"? Not at all. We can observe this from the situation in one of the ESOP enterprises which they believe has done best—the Gower Plastic Fiber Products Company in Delaware. The total capital of this company is \$690 million. The Gower family and a small number of long-term, trusted personnel in the company own 80 percent, external investors own 10 percent, and the 3,000 employees only own 10 percent. Shares cannot be transferred, and if the company closes down, their shares will be worth nothing. Surplus profit is used for reinvestment, but 90 percent of the shareholding rights and the surplus value thus obtained belongs to the capitalists. In the enterprise, there are employee representatives, but the posts are only nominal. They do not know the operational situation of the company and cannot participate in any major decisionmaking by the company. They can only vote in accordance with the wishes of the board of directors.

Also, according to data made public by the U.S. Congress in 1986, of the total wealth of the United States in 1983, excluding housing, trust assets, and debt, nine percent of capital was held in the form of company shares. Who controlled this share economy comprising nine percent of wealth? Upper-strata families comprising 10 percent of the total, controlled 89.3 percent of these shares. Of these, super-rich households (mainly major monopoly capitalists), comprising 0.5 percent of the total, owned 46.5 percent of the total shares. Extremely wealthy households who also constituted 0.5 percent of the total, held another 13.5 percent of the shares, while less extremely wealthy households who comprised nine percent of the total, controlled a further 26.3 percent of the shares. The ordinary laboring families, who constituted 90 percent of total families, owned only 10.7 percent of shares. Data show that from 1958 to 1987, the top income-earning one percent of families always owned over 51 percent of total shares, while ordinary families, who constituted 90 percent of the total families, owned less than six percent of shares. It can be seen that the number of shares owned by staff and workers is very small and is, in fact, negligible. In terms of average

shares per family, the figure is even smaller. In the developed capitalist countries of Western Europe, the proportion of shares held by staff and workers does not exceed several percent. For example, the FRG claims that 750,000 workers hold shares. However, the shares held by the workers are only five percent of the total volume of shares. In Britain, the figure is also only several percent.<sup>13</sup> The workers using a portion of their wages to purchase such a small amount of shares is like putting their money into the bank. It is just like a "small reserve fund of money" to be drawn on when needed.<sup>14</sup> It should not be seen as investment. Even if seen as investment, it is a negligible amount as compared to the vast capital of the capitalists, and it is unable to change the exploited status of the workers.

The laborers are still sellers of their labor and the relationship with the capitalist is still one between exploiter and exploited. Marx expressed it well when he said, "Just as better clothing, better food and treatment, and a larger share of personal property cannot do away with the exploitation of the slave, they likewise cannot do away with the exploitation of the wage worker."<sup>15</sup> Can we say that such a shareholding enterprise has "socialist elements" and has changed into "a system of joint ownership by shareholders"? In capitalist enterprises in which staff and workers hold shares, the workers are afraid that the shares they have bought with their blood and sweat will turn into wastepaper. They work for all they are worth, but the capitalist can turn part of the workers' wages into capital and use it to further exploit the laborers. They can also use petty benefits to bind the workers fast, so that they will sell their lives. It is thus very clear who gets the benefits.

The dispersal of shares and the increase in the number of shareholding enterprises has meant that the separation between the money capital and staff and workers' capital has deepened and the role of the board of directors and the managerial level has increased. In Comrade Tong Dalin's view, this shows that the monopoly capitalists have "lost control" over the shareholding companies and that capitalists are no longer capitalists. This view likewise is not tenable. The development of the capitalist shareholding system is a phenomenon which accompanies the development of socialized large-scale production under private ownership conditions. It shows that capitalists must, to a certain degree, recognize the social nature of production. In the face of socialized, large-scale production on an increasingly wide scale, the bourgeoisie is further "demonstrated to be a superfluous class. All its social functions are now performed by salaried employees."<sup>16</sup> However, this certainly does not mean, as Comrade Tong Dalin suggests, that monopoly capitalists have "lost control" of shareholding companies. In fact, the members of the boards of directors and managers carry out the social functions of capital and quite a proportion of them are shareholding, out-and-out capitalists. For example, the majority of the approximately 4,500 board chairmen and general managers of the several hundred monopoly companies in the United

States, are holders of a large volume of shares in their companies and they should also be included in the bourgeoisie or quasi-bourgeoisie ranks. As the agents of capitalists, if they do not faithfully implement the directives of the capitalists or decisions taken do not accord with the tastes of the capitalists, they will be replaced. As to the dispersal of shares, this does not mean that the monopoly capital class can give up or has given up the power to control its privately owned assets. Quite the reverse. In a situation where shares have been dispersed, they can control a smaller number of shares and yet can control more capitalist enterprises or even the lifeblood of the entire economy. Their monopoly is thereby strengthened and they obtain higher profits.

Thus, the development of the shareholding system and the dispersal of the shares does not affect the basic interests of capital and cannot affect the basis of the capitalist ownership system. Allowing staff and workers to hold shares, giving a little bit of the huge profits to the proletariat and providing them with a few paltry benefits are underhanded tricks by which to achieve the goal of roping in and deluding the workers, strengthening and consolidating exploitation, and expanding control by big capital. This cannot affect the basis of the bourgeois system, much less result in the emergence of socialist elements.

### III

In the early days, Comrade Tong Dalin, when talking about the functions of the capitalist state and the nature of capitalist relations of production, used the "can we say" form to put his view, and left much implied rather than said. However, in March and April last year in SHIJIE JINGJI DAOBAO and KEJI RIBAO, and at various conferences, he expressed his opinions and attitudes on the above-mentioned questions in a straightforward way: Capitalism's "highly developed productive forces have already readjusted the irrational relations of production, resulting in the Marxist theory of capitalist exploitation becoming obviously outdated. Marx's advocacy of 'working for mankind' has been carried on by the capitalist world. However, in China, that which is most worthless is people." "The communist movement since Leninism" has "abandoned people."<sup>17</sup> Please observe what a resounding paeon he writes for contemporary capitalism: The capitalist relations of production are now rational, the Marxist theory of capitalist exploitation is now outdated, and the capitalist world is now "working for mankind." At the same time, he strongly censures socialist China and the communist movement since Lenin: Here, the most worthless thing is people and the communist movement since Lenin has abandoned people. Such praise for capitalism and such belittling of socialism is not unheard of in recent years, but it has not often been seen to this degree. Limiting ourselves to the core of this article, we will restrict ourselves to discussing whether or not the Marxist principles of capitalist exploitation are outdated or not.

Facts speak louder than rhetoric. Facts do show that over the last several decades the productive forces of Western countries have seen quite great development and the lives of the workers have indeed seen improvement over conditions in the past. However, the relationship of exploitation between capitalist and worker under the capitalist system has not changed and the degree of exploitation of workers by capitalists and the polarization of capitalist society have not decreased, but have increased. Marx's theory of the law of surplus value is still the basic tool for examining contemporary capitalism.

If we take the U.S. material production sector as an example, in 1935 the surplus value rate was 200 percent, in 1949 it was 242 percent, in 1964 it was 261.9 percent, in 1974 it was 258.5 percent, and in 1977 it had risen to 280.9 percent.<sup>18</sup> Further, if we look at Japan, from 1960 to 1980, the total capital of large enterprises capitalized at over 1 billion yuan grew 17.6 times, while from 1960 to 1973, the average wages of manufacturing workers grew only 1.4 times. The 1986 figure was only 2.4 percent higher than the 1974 figure. The surplus value rate of the Japanese industrial sector was 170 percent in 1970 and 205 percent in 1975. In 1986 and 1987, the surplus value rate at Toyota Vehicle Corporation was 226.4 percent. According to calculations by Japanese economists, calculated on the basis of an eight-hour workday, the socially necessary labor time is 2 hours, 58 minutes, and the surplus value labor time, the benefits of which are seized without compensation by the capitalist, is 5 hours, 35 minutes. The necessary labor time of the workers in the Toyota Vehicle Corporation was 2 hours, 27 minutes, and the surplus value time was 5 hours, 35 minutes.<sup>19</sup>

Along with the increase in the exploitation rate, there has been increasing centralization of wealth in the hands of the monopoly capitalist class and polarization has intensified. According to calculations by Greenwood, an economist in Colorado in the United States, the top income-earning five percent of families in the United States possess 58 percent of U.S. wealth. Of these families, one percent of the total hold 33 percent of wealth. Meanwhile, the 30 percent of families which are at the lowest level of society have almost no wealth, as their debts exceeds their assets. The U.S. Bureau of the Census says that over the last few years, the rich have become richer and the poor have become poorer. The income of the top one-fifth of income-earning families has risen from a 40-percent share of national income in 1970 to 43.58 percent in 1985; and the income of the lowest one-fifth of income-earning families has fallen from a 5.48-percent share of national income to 4.6 percent. Over the last few years, the number of very wealthy people in the U.S. bourgeois class has increased over 50 times (from 13,000 in 1948 the figure grew to 574,000 in 1980), income from dividends and interest has grown 15 times (from \$8.9 billion in 1947 to \$142.8 billion in 1975), while over the same period, the income of residents has grown less than fivefold.<sup>20</sup> According to other data,



since the beginning of the 1980's, because of the continual increase in profits from financial investment and investment in fixed assets, and because of the implementation of the system by which the wages of staff in important positions are determined on the basis of enterprise profits, the income obtained by the wealthiest one percent of the total population has doubled over the decade. The income of the next wealthiest households, which constitute 20 percent of total population, has grown 32 percent, while the aftertax average income of the poorest families has fallen nearly \$400 compared to 10 years previously (loss calculated after taking inflation into account), and people's purchasing power has declined five percent.<sup>21</sup> Thus, the U.S. economist John Kenneth Galbraith wrote, in the United States, "there still exists an extreme inequality in income distribution. Unfortunately, in recent years this situation has not improved but rather has got worse. The vast majority of our national income falls into the hands of a small number of the elite and only a very small portion goes to the middle-income and low-income people."<sup>22</sup> Another scholar, Ferdinand Lundberg, wrote, "To a great degree, all that the majority of citizens of the United States, this richest, most powerful country so rich in ideals, have is a few miscellaneous family possessions... and the clothes they wear." "The vast majority of them are in a precarious state and are virtually all slaves." "At the same time, a small number of Americans, like the nobility in the tales of the Arabian Nights, have a great volume of wealth."<sup>23</sup> In Britain, the richest seven percent of the population control 84 percent of the national wealth and one percent of the population control 21 percent of all wealth. Meanwhile, the workers, who constitute 93 percent of the population, control only 16 percent of the wealth! From 1979 when Mrs. Thatcher came to power until 1986, the number of very wealthy people in Britain grew twofold, with the richest of these having capital of several billion pounds. However, the real wages of workers only grew 22 percent from 1970 to 1980. A survey report issued in Britain on 29 December 1987 had to conclude: The gap between the rich and the poor in Britain is widening and, "following the widening gap between the rich and the poor, Britain is becoming a more unequal society."<sup>24</sup>

Since World War II, although the lives of some workers have improved, the living conditions of the proletariat have not seen any basic change. Further, in Western countries there has been an obvious deterioration and increase of difficulties in their living standards. First, the rate of increase in workers' real wages has declined. From 1973 to 1976, for the staff and workers in all the countries of the European Community, the average annual increase in real wages was 3.2 percent. However, since the beginning of the 1980's, this figure has not been exceeded and, in most years, the growth was lower than two percent. In 1982, the real wages of British workers was lower than in 1973. The real wages of U.S. workers have declined 6.7 percent over the last 10 years. Although the real wages of Japanese staff and workers have increased, the rate of growth has been much less

than in the 1970's, and real wages have fallen in several years.<sup>25</sup> From the end of the 1960's to the beginning of the 1970's, the average wages of workers in U.S. enterprises was only 56 percent of the government-published minimum living expenses figure and in the FRG it was 62 percent. The average income of about 25 percent of the families in the European Community was less than the officially stipulated minimum living expense standard.<sup>26</sup> Second, the number of unemployed and semi-unemployed persons has continually increased. The number of persons unemployed in the United States grew from 7.63 million in 1980 to 8.237 million in 1986. The number of unemployed in Japan grew from 1.14 million to 1.67 million. In the FRG the figure jumped from 889,000 to 2.228 million, in Britain 1.665 million grew to 3.289 million, and in France the unemployed grew from 1.471 million to 2.517 million. Apart from in Japan, the unemployment rates in these countries has generally been higher than 10 percent.<sup>27</sup> According to statistics from the United Nations Organization for Economic Cooperation and Development [as published], Britain has over 1 million persons who have been unemployed for one year or more and more than 500,000 who have been out of work for three years. The current unemployment problem in Britain is worse than during the great Depression during the 1930's. A number of long-term unemployed and their sons and daughters have great difficulty finding work.<sup>28</sup> Although the unemployed and semi-unemployed can obtain a small amount of unemployment benefits, it is just enough to maintain life. Third, there has been an increase in other parts of the working class—the temporary workers, the home workers, women, child labor, and cheap immigrant labor. Their wages are low, they work long hours, and their standard of living is the lowest of the working class. In the United States, temporary workers already number 16 percent of all workers. They provide strong labor, but their wages are comparable to only 80 percent of the earnings of permanent workers. Because of technological progress, there has been a decline in the need for skilled workers and work posts increasingly involve "non-skilled, unessential, or short-term labor." Also, as "office workers and service industry workers are already at a level below that of traditional physical workers," the capitalists have seized the chance to reduce wages. Women and children are employed everywhere and their work is difficult but their wages are far below those of male workers. In the last few years, a large number of foreign workers have flowed into the capitalist states and the "bourgeoisie can give them working and living conditions far below those which the worker movements of the industrialized countries have striven for." The bourgeoisie are "using 19th century proletarians to bring 21st century technology into play."<sup>29</sup> It is worth noting that the bourgeoisie has adopted some new covert methods to extend their exploitation of workers, thereby worsening the position of the proletariat. For example: 1) Through the continual adoption of new technology, "improved enterprise management," and meticulously formulating so-called behavioral sciences methods, they have ensured that the workers do not have even a little

spare time. Thereby they have increased labor intensity and strengthened exploitation. In March 1986 in Japan, the Humanities Research Institute of Li Ming Guan University and the trade union of the Toyota workers made public the results of a survey of the labor intensity of the workers of Toyota Vehicle Corporation over five years. It showed that the amount of labor per unit of time had increased for 65 percent of workers, and that after-work fatigue had also markedly increased. For 42.6 percent of workers, the feeling of fatigue had not cleared even on the day following labor, while 19.4 percent, due to their accumulated fatigue, were unable to ever free themselves from feeling tired. Thus a total of 62 percent of workers suffered from either of these two complaints.<sup>30</sup> In the United States, in large companies which have adopted automatic assembly lines, workers are constantly resentful: "The speed is always too fast"; "This is not work people should do"; "What the managers want is beyond what we can provide"; "We do the same work day and night"; "It is like being in a prison"; "The foreman is always urging us to go faster, faster, faster!" Even the leaders of some scab unions in the United States have to admit that high-speed production work is "inhuman." This is one of the direct causes of worker dissatisfaction and strikes.<sup>31</sup> Labor time has not changed, but the intensity of labor has increased and more surplus labor has been squeezed from the workers. Meanwhile, the workers become decrepit more quickly and they receive increasingly less. This is very obvious. 2) Through state intervention, so-called "indirect wages" and "social services" such as social facilities and education have been provided. In name, these have improved social welfare, but in fact this expenditure is taken from the pockets of taxpayers and thereby the laborers' wages are reduced. It increases the incomes and reduces the expenditures of the capitalists and increasingly reduces the burden of this expenditure on capital.<sup>32</sup> 3) Forced savings by workers through so-called social insurance and unemployment insurance increases the incomes of capitalists and reduces the incomes of workers. 4) There is trickery in the pricing of consumer products, and the increased wages which the workers win through struggle are recouped through price increases. This cannot be seen in statistics, but it reduces the standard of living of the working class.

Summing up the above, under the conditions of contemporary capitalism, the strengthening of state intervention, the dispersal of shareholdings, the owning of shares by staff and workers, and other important measures have not changed the nature of capitalist relations of production and the class antagonism and basic contradictions between the proletariat and the bourgeoisie still exist.

However, Comrade Tong Dalin ignores all of this and basically negates Marxist theories of the state, negates Marxist scientific conclusions on the nature of capitalist ownership and, in particular, negates Marxism's theory of surplus value. We do not know whether Comrade Tong Dalin is aware of the serious effects this has had on the theoretical and practical levels. We sincerely request that he think thrice.

## Footnotes

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16. *Collected Works of Marx and Engels*, Volume 20, p. 710.
17. In JINGJIXUE ZHOUKAN [ECONOMIC STUDIES WEEKLY], 23 April 1989.
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21. See RENMIN RIBAO 26 August 1990.
22. C.M. Menshikov and J.K. Galbraith: *East-West Dialogue*, Foreign Languages Publishing House, 1989 edition, p. 118.

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30. *All-Toyota Trade Union*, investigative report, Japan, November 1988 issue.
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**Comparison, Cost, and Trends—Several Questions of Understanding About the Superiority of Socialism**

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in Chinese No 20, 16 Oct 90 pp 43-46

[Article by Huang Hongji (7806 3163 1015) of the Hunan Provincial CPC Committee Lecture Group]

[Text] In the face of the difficulties and setbacks being experienced by socialist countries at present, when looking at the issue of the superiority and vitality of socialism, people inevitably experience various doubts and perplexities. If we do not get rid of these misunderstandings, then when discussing the superiority of socialism, people will always feel uncomfortable and unassured. Discussing and answering some major questions about socialism has become a task of great urgency in our ideological and theoretical work. This article is intended to put forward a few ideas on several of the issues involved.

I

If people are to answer the question of whether or not the socialist system is superior, they must compare it with capitalism. "Do not fear not knowing much about the goods, just compare and you will see which is better." We endorse making a comparison between the two systems, but stress that this must be a scientific comparison.

Things always move in a particular time and space. In the temporal aspect, they are in a process of development in which they have a past, a present, and a future. In the spatial aspect, they naturally gain their own definition from their linkages and differences with the things around them. If we are to correctly understand things, we need to deeply master the development patterns of things, and in this the method of comparison is indispensable because only through comparison is it possible to find the patterns from the common aspects and to find the specific contradictions from the differences between things. "If one compares, one can distinguish." If no comparison is carried out, there is no way for people to recognize the differences and contradictions and there is also no way for people to grasp the specific linkages between things.

Comparison, as the most basic epistemological method, is used by everybody. However, when people of different viewpoints carry out comparison, the results are often very different. Some people, through comparison, find the truth, while other people through the same method, end up with falsehoods. Some people, when finding differences between themselves and others, strive to make up the disparity, while other people thereupon experience dulled aspirations and gradually see decline. Here, we have the question of positive comparison or negative comparison, the question of whether the use of the comparative method is scientific or not.

If one wants to carry out scientific comparison, first we must look at the comparability of things. Generally, comparison is made between the same sorts of things under generally similar conditions. When Lenin spoke of comparing the political and economic conditions of various countries, he pointed out: "This sort of comparison must be done properly. Here there is the basic precondition that we must be clear about whether the stages of historical development of the various countries which we have taken for comparison can be compared."<sup>1</sup> When we compare China with other countries, we must not overlook the "stages of historical development" that Lenin spoke of. If we ignore the differences between the historical development stages of China and the West and we carry out a supra-historical comparison, we will not be able to reach a scientific conclusion. For example, in 1953, our country put forward a goal of struggle: To achieve industrialization. However, this task had been completed by Britain, France, and the United States in the middle of the previous century. That is to say, we were more than 100 years behind them. If we take some of the industrial production norms in the early period of the PRC as examples, at that time, the steel output was 158,000 tons, equivalent only to the 1860 level in Britain, and raw coal output was 32.43 million tons, equivalent only to the 1840 level in Britain. Since the beginning of the 20th century, the countries that have achieved victory in socialist revolutions have by and large been quite backward on both the economic and the cultural levels. We must squarely face the fact that these countries had "a very poor base and a very low starting

point." Marx once pointed out that "man is not free to choose his productive forces—upon which his whole history is based—for every productive force is an acquired force, the product of previous activity."<sup>2</sup> The backward situation of China's productive forces was produced by the long period of stagnation under feudal society and, in particular, by imperialist aggression. These backward productive forces are a reality we must face. Wildly comparing in a way which is divorced from reality is not scientific.

Second, comparability also requires that the scope of comparison be basically similar. That is to say, one city should be compared with another city, a province should be compared with a province, and a country should be compared with a country. Also, these two cities, two provinces, or two countries should be of approximately the same size, have generally similar conditions, and be at a generally similar stage of development. Only thus will they be comparable. At present, many persons like to compare the mainland and Taiwan and they say that Taiwan's economy has developed quickly and average per capita income is high. Such comparison is not scientific because the scope of comparison of the two is completely different. In April 1981, at the "Chinese Economy" conference held at Princeton University in the United States, a scholar cited the idea by the Nobel prize-winner professor Shultz: "Taiwan should be compared with one of China's mainland provinces." This idea is worthy of attention, because the comparative scope can quite easily be made similar. Otherwise, we will be comparing the mainland, which has a population of 1.1 billion and very uneven development, with one of China's provinces which has a population of 20 million. How could such a comparison be fair?

Third, even if the scope is the same, we also have to look at whether objective conditions are similar or different. For example, by 1982, Taiwan had received foreign funds through "economic aid," "military aid," low-interest credit, direct investment, technological transfer, and so on, totaling \$20.5 billion, an average of \$1,100 per person. In addition, it had received \$5.2 billion in investment from Overseas Chinese. However, the mainland did not have these conditions and, when comparing, we cannot ignore this fact.

If we are to carry out comparison in a scientific way, we have to clarify the goals of comparison and establish a positive comparative view. We have to recognize that things not only can be compared, but can also change. The aim of comparing is to effect change and, through practice, to push the contradictions to change in a positive direction. This is a positive comparative view. If one becomes more dispirited and more uncertain in conviction the more one compares, it will not be possible to achieve the positive goal. Of course, there is a long process between a positive comparison and the realization of change and a leap forward. Because of this, we need to struggle unwaveringly after carrying out positive comparison.

## II

The second issue that must be clarified is how we are to view the "cost" to be paid in socialist construction. The spokespersons of the Western bourgeoisie have not denied the achievements of the Soviet Union. Nixon, in 1999—*Winning Without Fighting*, pointed out that the Soviet Union went through World War II and so-called "frightful oppression," "yet still became a superpower. Other nations may have collapsed under the pressure, but the Soviet people passed the trials presented by this pressure and pushed their country forward."

However, they claim that these achievements were realized at the cost of totalitarianism and sacrificing the people's rights to freedom and democracy and even their lives. Brzezinski has specifically stated that the Soviet Union paid the price of 50 million lives. The figure provided by Brzezinski is obviously a gross exaggeration intended to negate socialism. However, we must recognize that there is certainly a price to be paid. If we look at the history of mankind's development, no progress has been attained in history without cost or sacrifice. However, we must make a specific analysis of this cost and sacrifice.

First, some cost and sacrifice are inevitable.

We know that the industrialization of any country requires a process of primitive accumulation. The primitive accumulation of the long-established capitalist states was written into mankind's history with a script of blood and fire. They all paid a price in terms of the great suffering and sacrifices of their own laboring people and the people of their colonies. The slave trade, which extended for 360 years, resulted in the loss of over 100 million persons from Africa. (The figure of 100 million Negroes lost is conservative. According to data on a report made by a conference of experts convened by UNESCO in 1978 provided in a book, *The African Slave Trade, 15th to 19th Centuries*, which was published by UNESCO, from the 15th to the 19th centuries, Africa lost 210 million of its population as a result of the African slave trade.) Approximately one century of colonial rule resulted in a 90-percent decrease in the Indian population of Mexico and a 95-percent decline in the Indian population of Peru. The colonialists on the American mainland in their legislatures brazenly made the decision to offer a reward of 40 English pounds for the scalp or the capture of an Indian. According to historical records, the Portuguese plundered 270,000 kilograms of gold from Africa in the 16th century. After the Sino-Japanese War, the Japanese plundered 230 million liang of silver from China in reparations, equivalent to four and one half years of Japan's financial revenue at that time. This provided Japan with 17 percent of its total domestic capital during the 1895-1903 period. Of course, the primitive accumulation of the longstanding capitalist states was not based entirely on the brutal exploitation of their colonials. It also involved the brutal exploitation of the surplus value of the laboring people of their own countries. This exploitation by capital was as

described by Marx: "Capital comes into the world dripping from head to foot, from every pore, with blood and dirt."<sup>3</sup> Socialist countries cannot, of course, adopt this method of brutally exploiting the laborers of their own country or their colonials in order to engage in primitive accumulation. We can only accumulate construction funds through reliance on our own efforts and arduous struggle. This requires that people manage things economically, be thrifty, and even tighten their belts and make necessary sacrifices to shake free from the passive situation of "when one is backward, one will be beaten." These sacrifices are absolutely essential for our own long-term interests and overall interests. These sacrifices are unavoidable, as at the time when the invading U.S. Army closed in on the Yalu River and made an effort to attack our country, and we had to make national sacrifices in the battle to oppose the United States and assist Korea.

Second, some costs and sacrifices are indeed produced through blunders. For example, the expansion of the movement to liquidate the counterrevolutionaries involved unnecessary costs and unnecessary sacrifices because of mistakes in work. This touches on a question of theory, that is, the question of the difficulty of avoiding mistakes and the possibility of avoiding mistakes.

In looking at the question of mistakes, we adopt the unified theory that mistakes are difficult to avoid, but that they can be avoided. Because mankind's understanding is always restricted by the level of development of the productive forces, by the restrictions of the times, by the degree to which contradictions between objective things have come to light, and by the "physical and mental situation of the people," mistakes are always difficult to avoid.

It should be particularly pointed out that socialism is something that never existed before and there is no ready-made model that we can follow. In the roads and avenues of developing socialism, the various countries have only been able to sum up and explore in practice by relying on the political party of the working class, which is armed with Marxist theory, to lead the broad masses forward. As this is exploration, it can be either successful or mistaken. It can result in great achievements or require that a great price be paid. Further, these two aspects often accompany each other and are intertwined. In countries that are economically and culturally backward, structural shortcomings and problems of various kinds and defects and mistakes in work are particularly difficult to avoid.

Of course, those sorts of mistakes that have occurred hundreds of times in practice and mistakes that other people and oneself have made many times can be avoided. The difficulty of avoiding mistakes and the possibility of avoiding mistakes are two sides of the same question. We cannot become discouraged just because mistakes are difficult to avoid in the process of social

revolution. Likewise, we cannot be lighthearted just because mistakes can be avoided.

Third, there are basically two types of factors responsible for the occurrence of setbacks and failures in the process of socialist practice: The first is problems in the concrete structures and the second is mistakes in subjective guidance. These are both mistakes in the process by which the basic principles of socialism are combined with concrete practice. When concretely analyzing these mistakes, we need to distinguish the basic principles and basic system of socialism from problems in the specific structures, and distinguish the issue of whether socialism is superior from the question of whether that superiority has been brought into play. When we speak of socialism's superiority, we are talking mainly about the superiority of the basic system, not saying that all the specific structures are perfect. We are saying that socialism's superiority can be brought into play through arduous struggle by people and are not saying that the superiority has already been brought into play, or that we can sit down and enjoy its fruits. When we analyze the current mistakes, it would be completely erroneous to consider problems in the structures and problems of understanding to be problems with the basic system or the basic principles themselves, and, on this basis, to negate the superiority of socialism and the correctness of communist theory.

The spokespersons of the bourgeoisie write about the history of the development of capitalism as being peaceful and wonderful and say that the current achievements of capitalism were achieved under conditions whereby the freedom, equality, and human rights of people were respected. These people, who wear bourgeois-tinted glasses, can be described using an ancient Chinese saying: "Eyesight sharp enough to see the tip of an autumn hair, but unable to make out a cartload of firewood." They exaggerate without end the mistakes in the process of socialist practice, but ignore the great calamities that capitalism has brought people. They do not talk about the "genocidal" catastrophes during the period of the primitive accumulation, and just say that the catastrophe that World War II brought to mankind was extremely terrible. During World War II, more than 90 million persons were killed or wounded. Of these, 55 million died. The economic losses reached over \$4 trillion. Brzezinski has taken Japan as a model for capitalism, saying that since the Meiji Restoration it has realized such great achievements without too much sacrifice. Regardless of whether or not the bourgeois spokespersons can see the "cartloads of firewood," the Chinese people will never forget the historical tragedy by which the Japanese invasion of China cost the lives of more than 20 million Chinese people.

### III

The third question of understanding that must be resolved is how to look at the question of "high tides" and "low tides." Seen from the current international situation, socialism is now in a low-tide stage. This has to

be admitted. However, if we look at this from only one aspect and see only that socialism is at a low-tide stage, it will be difficult to keep our mood high. Thus, we need to engage in some Marxist-Leninist analysis and look at another side of the question. Here there is the question of how to look at "high tides" and "low tides" or "rising tides" and "falling tides." Objectively speaking, in the process of struggle, in the long-term coexistence and antithesis of these two types of political system, there have always been times when one has seen a rising tide and one has seen a falling tide and times when their situations were reversed.

Nixon did not deny that capitalism has seen "falling tides." He considered that the defeat in the war of aggression against Vietnam was a low point in the United States' falling tide. According to Nixon, the sad thing about their defeat in the war of aggression against Vietnam was not just the situation of the United States at that time, but how this had brought very great "harm to America": Its image in the eyes of its friends had suffered harm; its power and influence had been weakened in the eyes of its enemies; but the greatest damage was that it had harmed the U.S. national self-esteem and had led to divisions between the people. At that time, throughout the United States, the antiwar movement was pushing forward with great force and the U.S. Government was powerfully repressing it. In 1970-71 alone, 14,565 demonstrators were arrested, and from this we can see the severity of the repression. The defeats in the wars of aggression against Korea and Vietnam resulted in people fearfully foreseeing the collapse of capitalism. After the defeat in the war of aggression against Korea, the U.S. joint chiefs-of-staff advised, "We were in the wrong place at the wrong time, fighting the wrong war against the wrong enemy." Even Brzezinski had to admit that, in the war of aggression against Vietnam, "The United States in waging a defensive, blocking war, was fruitlessly trying to stop an inevitable historical tide."

Even seen in terms of recent events, the United States has not always been on a "rising tide." We know that, since World War II, the United States has seen seven economic crises, with the crisis during the 1979-82 period being the most severe. From April 1979, when it was considered that the crisis had begun, to December 1982, when the economy revived, there were three years, nine months of crisis. In October 1982, U.S. industrial production was down 11.4 percent from that of July 1981, and industrial utilization of capacity was down to 68.4 percent, the lowest figure since 1948. With 24,000 enterprises bankrupt, the bankruptcy rate was the highest since the great Depression of 1932. Twelve million persons were unemployed and the unemployment rate reached 10.8 percent. In the construction sector, the unemployment rate was 23 percent, the highest figure since 1942. Under the battering of the crisis, a mood of pessimism enveloped the West. Former West German Prime Minister Schmidt concluded at that time that the world was quickly heading toward a major

crisis like that of the 1930's. However, after the revival of the economy, people in the West began to fall into "golden age" optimism and a mood of blind optimism grew. However, the sober-minded people knew that there was no way to cure the cyclical economic crises of capitalism, and they were fully aware that the good times could not last.

We need to have a full understanding of the difficulties and setbacks we may encounter in the long course of history. Lenin expressed it well when he said, "To imagine that the history of the world is a smooth process of forward development and that there will never be any great leaps backward, is nondialectical, nonscientific, and theoretically incorrect."<sup>4</sup> A true Marxist will never let his faith waver, regardless of what difficulties or low tides are experienced.

From this we can see that, regardless of whether we speak of the development of capitalism since the war or the development of socialism over the last few decades, we have to look at the entire process. When we look at capitalism we have to look at the years of swift growth in the 1950's and 1960's and also look at the stagnation and slow growth of recent years. We have to look at both the present when capitalism gets along with some socialist countries and also look at the years when it fought them and was defeated in the Korean and Vietnamese wars. When looking at socialism, we need to look at the current low tide and also look at its great achievements in the process by which it developed from being a "specter" haunting Europe to the successes of the 20th century.

Here we touch on several theoretical questions and we should get a clear understanding of them.

First, we need to properly handle the question of the relationship between the inevitability of history and the process of history. If we look only at the inevitability of history and overlook the fact that history is a process, we might ignore historical conditions and, overanxious for the overall trends of history to be realized, set our mind on the rapid replacement of capitalism with socialism. Then, when detours or mistakes or phenomena such as the "temporary prosperity" of capitalism are encountered, we will experience the opposite emotion—pessimism and loss of hope—and this may even produce a "crisis of faith." If we look only at history as a process and ignore historical inevitability, then, because of the length and twists and turns involved in this process, we will be unable to see the inevitable victory of socialism and we might come to wrong conclusions on the general trends. Only by upholding the dialectical unity of the inevitability of history and the fact that history is a process, will we be able to ensure that we can see far and wide and are not distracted by a few temporary phenomena.

Second is the issue of the wavelike pattern of development of things. At the Seventh Plenary Session of the Eighth CPC Central Committee, Comrade Mao Zedong

said that everything moves forward in a wavelike pattern. This is the pattern of development of things, objectively exists, and is independent of man's will. At the Second Plenary Session of the Eighth CPC Central Committee, he said, "In the world, there will always be beginnings and endings, advance and retreat." The pattern of wavelike advance tells us that the development of things is not in a straight line, but involves twists and turns. It is a unity of the progressive nature and the twisting nature of development. Comrade Mao Zedong said that "the road is twisting, but the future is bright." This is the overall trend of the development of things, which we should understand from their twisting process of development. The reason the future is bright is that historical inevitability in unchanging. Engels expressed it well: "Despite all seeming accidentality and all temporary retrogression, a progressive development asserts itself in the end."<sup>5</sup> The pattern of wavelike advance is the law of development of things and to hope that no detours will occur in the process of development of things is just a pipe dream. The attitude which revolutionaries must adopt is that, in the twists and turns, they must continually open up a new road.

The third is a very important philosophical viewpoint which Comrade Mao Zedong put forward in *On Protracted War* and that is, when observing the qualitative and quantitative changes in anything, it is important to note whether the trend of change is upward or downward. He also pointed out that which is moving down is old quality and quantity, but this is manifested mainly in quality. This tells us that when comparing the superiority or inferiority of two social systems, first we need to examine both the qualitative and the quantitative aspects in an overall and comprehensive way. If we consider only one aspect, for example if we just look at the quantitative "statistical superiority," it will be one-sided and unscientific. Second, in examining the "qualitative" aspect, we need to pay attention to whether the thing, in its process of development, is exhibiting an upward or downward trend. Before all of the productive forces which it can contain have been brought into play, capitalism, in its stage of decline, will still see some development. However, this will be manifested mainly on the quantitative level. The three major contradictions determined by the basic contradictions of capitalism will not be able to be overcome and it is these that constitute the qualitative aspect of the thing. Socialism, which is in the ascendent stage, will experience twists and turns and mistakes in its process of development. These will be manifested mainly on the quantitative level. The public ownership system, distribution according to work, and the planned commodity economy are the qualitative superiorities which will ensure that socialism thrives. The two types of systems both have "rising tide" and "falling tide" periods. However, one of them has an upward-moving trend and the other has a downward-moving trend. We must, in any possible way, grasp the "qualitative aspects" of things, the "essence" of things, the "inevitability" of things. When we have grasped these we will have grasped the basis of the inevitability of

capitalism being replaced by socialism. We have to examine the superiority or inferiority of the two systems by examining them in terms of whether, qualitatively, they are moving upward or downward.

On the question of the "rising tide" and "falling tide," we have to be brave enough to admit that at present socialism is at a low tide and thereby recognize that the process of development of things has twists and turns. We must also recognize that capitalism also has "falling tides," so that even when it is at high tide, it contains elements of a falling tide. We also need to recognize that, regardless of whether it is in a falling tide or a rising tide, capitalism's innate basic contradictions will not be resolved and cannot be resolved. Its tide will rise and fall, but its overall trend is downward. As for the process of development of the socialist cause, although it is now experiencing some temporary difficulties, and is seeing a low tide, its overall trend is upwards. As Comrade Jiang Zemin pointed out in his speech on the 40th anniversary of the PRC: "Seeing only the whirlpool and some countercurrents of the river of history, but failing to observe its main surging current shows the political shortsightedness of the observers."

History has repeatedly proven that, although an occasional success or failure is determined by power, the vast majority of victories and defeats are determined by a principle. This "principle" is the inevitability of history, the overall trend of historical development, that is, the basic pattern of historical development. We firmly believe that the socialist system, which seeks benefit for the vast majority of people, will be accepted by the vast majority of people. The future lies with socialism!

#### Footnotes

1. *Selected Works of Lenin*, Volume 2, p. 517.
2. *Selected Works of Marx and Engels*, Volume 4, p. 321.
3. *Collected Works of Marx and Engels*, Volume 23, p. 829.
4. *Selected Works of Lenin*, Volume 2, p. 851.
5. *Selected Works of Marx and Engels*, Volume 4, p. 240.

**Impressions of Biography of General Tao Yong**  
HK0911134390 Beijing QIUSHI [SEEKING TRUTH]  
in Chinese No 20, 16 Oct 90 p 47

[Article by Han Nianlong (7281 1819 7893)]

[Text] It was early summer and the warm evening breeze was blowing against the curtains. My wife Wang Zhen [3769 3791] opposite me, and in my hand was a copy of *Biography of General Tao Yong* [7118 0516] which I had just finished reading. The book took our thoughts back to the raging war years, and tears wet the front of our clothes as memories of our old friend came to our minds. We had a feeling that General Tao Yong, in his usual



vigor, was walking toward us. Although many biographies have been published these last couple of years, satisfactory ones are few and far between. The present biography of General Tao Yong, written by Cui Xianghua [1508 0686 5478] and Chen Dapeng [7115 1129 7720] and published by the Liberation Army Publication House, touches us deeply because it has reproduced the late general's heroic bearing with its unadorned language and full, accurate facts.

Tao Yong's life may be summed up in one word: Courage. Courage is the focus of the entire biography. I first met Tao Yong in the early winter of 1941. At that time, a group of men from Chong Qihai's [1504 0796 3189] brigade led by Mao Cheng [5403 8224] and I had just crossed over to the side of Tao Yong's Third Column, which had finished fighting the battle of Huangqiao, had liberated Nantong, Rugao, Haimen, and Qidong without any killing, and had established anti-Japanese revolutionary bases in these places. We had been friends ever since. Tao Yong's wife Zhu Lan [2612 1526] was once a soldier in my brigade. She had left school and joined the revolution after the Japanese invaders had killed her father and brothers. It was I who matched her up with Tao Yong some years later. Zhu Lan was also a person of strong character. She appeared fragile and ladylike, but deep down she had a mind of her own and was quick-tempered. She was with Tao Yong throughout his military career, and suffered the same tragic death as Tao Yong. She left a deep impression in the hearts of all those who know her.

This biography recounts Tao Yong's life from the time he was seven, when he served as a cowherd for a landlord. He later joined the Crimson Guards set up by the local peasants and became the leader of the Steel Spears. The biography tells us how he left his mother to join the Red Army guerrillas, how he led remnants of the Red 9th Army to cover Li Xiannian's main force as it tried to break out of an encirclement; how he walked over to the enemy's pillbox all alone and talked the Kuomintang troops into surrendering; how, with inspiring awe, he went deep into the pirates' lair to hunt the pirates; how he fought and won seven successive engagements in central Jiangsu, marched on to southern Shandong, fought bloody battles at Menglianggu and Laiwu, and demonstrated his undaunted heroism and his unmatched wisdom and ability at decisive battles, such as the Huai-Hai Campaign; how he ordered the bombardment of the British warship "Amethyst" on the eve of the river-crossing operation; and how he stood up for what was right in the face of the despotic Lin Biao and gang of four. I have much admiration for the authors. In spite of the fact that they have never experienced war, they are able to give a vivid and exquisite portrayal of the mood and atmosphere of the war years, as well as the people in it. On reading their work, I can see their basic attitude. They have almost completely abandoned the use of flowery language, and flourishes are rarely used in their arrangement and structuring of the piece. The fact that they have insisted on using

simple and plain language in their description of persons and events has given the work its down-to-earth beauty.

Although a general, Tao Yong had a sentimental side. Like any other ordinary person, he also had very sensitive and sincere feelings. The authors have stinted no effort in describing this "other side" of Tao Yong. This book puts great emphasis on the portrayal of personal aspects. It writes about Tao Yong's feelings for his comrades-in-arms, the spirit of plain living and hard work of the war years, and the ties between officers and men who shared a common destiny. It is a good teaching source for our modern armed forces and young people. When reading this biography, I was often deeply moved by accounts of events which I had experienced or heard of. As I read about how Tao Yong heroically saved the life of the deaf-mute porter and about the amiable ties between Tao Yong and the local cadres and people, the love between Tao Yong and Zhu Lan, the death of Tao Yong's beloved son, and other touching episodes, tears gushed from my eyes. In addition to full and accurate facts, a biography must also be interesting enough to hold its reader. The authors of this biography have put in a lot of work on vividness.

In addition to his courage and human touch, General Tao Yong was also resourceful. This biography devotes considerable space to describe Tao Yong's uncommon wisdom. Knowing his lack of schooling, the young Tao Yong attached great importance to study. He was good at keeping a sober head in the face of complicated war phenomena. He was able to get things into shape using scientific methods, and was resolute when deciding his course of action. That was how he won his battles. He respected the intellectuals, paid attention to bringing out their strong points, made friends with them, and humbly learned from them. Thus, he not only won the love of his officers and men, but enjoyed high prestige among the intellectuals. A successful biographical account must be accomplished through detailed descriptions on different levels and aspects. The authors of this biography have based their account firmly on General Tao Yong's courage, emotions, and resourcefulness. It was through their efforts that General Tao Yong could appear so vividly before us.

General Tao Yong died 23 years ago. A few years back, some of our comrades-in-arms who knew Tao Yong well were rather anxious over the lack of a biography that detailed the late general's life. We are really pleased to see this long-cherished hope come true. For the sake of writing this book, the authors have given up opportunities that would have proved an easier path to output, fame, and fortune. Instead, they spent years of research and hard work to get this biography published. Their courage and confidence are both commendable.

#### A Rambling Talk on 'Cozy Nests'

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in Chinese No 20, 16 Oct 90 p 48

[Article by Sun Zhenhua (1327 2182 5478)]

[Text] During the Song dynasty, the term "cozy nest" was almost reserved for the exclusive use of Shao Yong



[6730 7167]. The *Biography of Shao Yong* in the *History of the Song Dynasty* noted: "Shao Yong engaged in farming all year round, producing only enough for his own food and clothing. He called his abode the cozy nest." Why "cozy nest"? It is understood that scholars in feudal China loved to profess themselves to be above politics and worldly considerations. They hankered after country life: "Growing one's own food and sinking wells to get drinking water, what difference is there between my life and that of a king?" Zhu Geliang's [6175 5514 0081] thatched cottage at Longzhong, Tao Yuanming's [7118 3220 2494] country dwelling with five willow trees, and Liu Yuxi's [0491 4416 6932] humble room all belong in this category. Shao Yong merely followed in the footsteps of his predecessors. The Buddhists refer to the blessed land of Amitabha in the Western World, where "the three sufferings are absent and the music of natural beauty rings," as the cozy land.<sup>1</sup> Shao Yong probably had this in mind when he named his abode. His hope was to live a humble but happy life.

However, with the passage of time, people do not think of the cozy nest in the same way as Shao Yong did.

To public servants, whose aim it is to serve the people heart and soul, a cozy nest is a far more lofty idea than that envisaged by Shao Yong. Being broad-minded and noble in their sentiments, public servants have the masses' well-being in mind, unlike Shao Yong who merely contented himself with a pleasant country life. Hence, they let others have good housing while they still live in their humble old houses. For instance, three successive Baise Prefectural CPC Committee secretaries all lived in the same run-down little house in the prefectural party committee's compound. Huang Baoyao [7806 0202 1031], former prefectural party committee secretary and current deputy chairman of the prefectural People's Congress, had lived in this little house for more than seven years. Mrs. Huang recalled how they had to stay up all night, torches in hand, and use basins and buckets to collect water dripping from the roof every time it rained. Does this mean Baise Prefecture does not have any good houses? No. During their terms of office, new houses with a floor space of nearly 20,000 square meters were built and considerable sums of money were set aside for housing construction. However, these new houses and funds were all used primarily to provide more dormitories for retired and ordinary cadres and to increase the availability of classrooms for primary and secondary schools.<sup>2</sup> Ma Shengli [7456 0524 0448], manager of the Shijiazhuang Paper Mill, and his family of six are still living in a 25-square-meter house rented since the 1950's. He said, "As long as our paper mill still has workers without housing, I will not move into a new house."<sup>3</sup> Although Ma Shengli has made mistakes in reform (which is normal and by no means surprising), I admire him on this score. Ma Shengli is Ma Shengli, after all. Only when we always think of the masses' large cozy nest first will we be able to refrain from trying to

push others out of their cozy nests or building little cozy nests of our own. This is the only way that we can truly demonstrate our quality as public servants.

We are not monks who practice asceticism. Neither are we suggesting that everyone should be living in old houses. However, the reality before us is that we are still not well off, and it is impossible that we would all be provided with new houses overnight. Under the present circumstances, it will be of much more far-reaching significance for public servants, particularly leading party cadres, to set an example by living in old houses. Liu Dianxue [0491 3013 1331], secretary of the Mulan County party committee in Heilongjiang, lives in a dilapidated house with paint coming off its doors and windows and a roof with missing tiles. It is precisely because Liu Dianxue has set a good example for party cadres in the whole county with his honesty and uprightness that none of this county's 27 cadres at and above the departmental level have spent public money on building private housing. Most of these cadres are still living in simple and humble civilian houses.<sup>4</sup> If leaders take the lead in following the correct path, are strict with themselves and honest in performing their official duties, refrain from seeking personal gain, avoid extravagance, and practice frugality, they will definitely be able to set a good example for the vast numbers of public servants. The latter will then consciously abide by discipline and law, be upright and honest, and will wholeheartedly serve the people. They will feel that their humble homes are cozy nests. The "inscriptions for a humble home" they write under such circumstances are likely to be more spectacular than that written by Liu Yuxi.

Regrettably, however, we do find individual "public servants" who abused their power and tried by hook and by crook to build luxurious houses for themselves and their children in recent years. Some of them occupied more and better housing space under all sorts of pretexts. Others embezzled public funds, were in arrears in handing over payments, indiscriminately issued subsidies in violation of financial systems, and abused their power to distribute public funds among themselves. Still others feathered their own nests at public expense. For instance, they made use of rolled steel earmarked for the "Spark program," cement for the maintenance of water conservancy projects, and aid-agriculture [as published] timber to build houses for themselves. In so doing, they seriously impaired the relations between the party and the masses and between the cadres and the masses, corrupted party style, and affected the general mood of society in a very undesirable way. Their spiritual realm and temperament not only cannot stand comparison with the true spirit of public servants, but are a long way from those of Shao Yong's in the olden days.

I hope that, while frequently commending and encouraging the true public servants, our media will also frequently expose the bogus public servants' abominable behavior to the masses, so that the former will feel like

being on tenderhooks and cannot live happily in their cozy nests. This most certainly will do a great service to building clean government.

**Footnotes**

1. See *The Aparimitayus Sutra*.
2. See DANGJIAN WENHUI, No. 5, 1990.
3. See ZHONGGUO QINGNIAN, No. 5, 1990.
4. RENMIN RIBAO, 22 December 1989.

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